United Nations DP/2016/14

Executive Board of the United Nations Development Programme, the United Nations Population Fund and the United Nations Office for Project Services

Distr.: General
6 April 2016

Original: English

Annual session 2016
6-10 June 2016, New York
Item 8 of the provisional agenda
United Nations Capital Development Fund

Integrated annual report on results for 2015 and midterm review of the strategic framework, 2014-2017, of the United Nations Capital Development Fund

Summary

This report presents an overview of progress achieved over the first two years of implementation of the UNCDF strategic framework, 2014-2017, with highlights of UNCDF results in 2015. It addresses UNCDF interventions for the second half of the strategic framework period, including how UNCDF supports implementation of the Addis Ababa Action Agenda, 'Agenda 2030', and the Istanbul Programme of Action, 2011-2020, and proposes revisions to the integrated results and resources matrix (annex 2).

UNCDF largely achieved its planned results in the first half of the strategic framework period, though in fewer of the least developed countries than foreseen. The ability to achieve programme results was sustained by regular resources ('core') contributions from donors with an appetite for risk and innovation, and by a strong other resources ('non-core') base. But the deterioration in core funding (resulting in a projected shortfall of $10 million to $15 million per year by end 2016, against the $25 million per year target in the strategic framework) negatively affected the innovation and replication space of UNCDF at the country level, with programme presence down to 31 countries (and risking further reduction) against the 40 projected in the strategic framework.

Elements of a decision

The Executive Board may wish to take note of UNCDF performance for the period, welcome the revised integrated results and resources matrix, recognize the four-window funding architecture and the critical role of core resources, and recommit to supporting UNCDF work over the next two years, including through fully funding core resource requirements.

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1. Integrated results and resources matrix
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I. Introduction

1. An integrated exercise comprising annual results reporting for 2015 and a midterm review of the strategic framework, 2014-2017, was conducted between November 2015 and March 2016. This report highlights the results achieved for 2015 and assesses overall UNCDF performance to date against the framework. The exercise also yielded proposed revisions to the integrated results and resources matrix, reflecting lessons learned from the first two years of implementation (annex 2); and informed planned UNCDF actions for the remainder of the strategic framework period to ensure achievement of intended results, including how the organization supports implementation of the Addis Ababa Action Agenda, Agenda 2030, and the Istanbul Programme of Action, 2011-2020.

2. The review was conducted using internal and external sources. It included a thorough desk review, including evaluations and audit reports; programme and project monitoring and results reports; and financial data. Primary data were used to measure progress against the integrated results and resources matrix (annex 1). The findings were triangulated against a range of other data sources, including a partner perception survey (annex 3).

II. UNCDF and the changing context

A. Contextual analysis

3. In 2014, the average growth rate of least developed countries as a group, at 5.5 per cent, surpassed that of other developing countries. Twelve achieved growth rates of at least 7 per cent, in line with Istanbul Programme of Action objectives. However, unfavourable external conditions, including the Ebola outbreak in West Africa, contributed to an overall deterioration in their economic performance compared to a post-economic-crisis peak in 2012. Further, there is as yet too little economic diversification in most of the least developed countries, with investment flows often concentrated in few countries and sectors. Volatility and shocks – related to conflict, climate change, environmental degradation, and commodity price swings – could undo development gains and affect graduation ambitions in some of the least developed countries.

4. UNCDF finance models that unlock public and private resources, especially at the domestic level, are relevant to the Addis Ababa Action Agenda and the 2030 Agenda. Both stress that international public finance remains central to achieving the sustainable development goals. Still, there is a need for multiple sources of finance – especially from the private sector – which must work together effectively.

5. Around two billion adults, over half of whom are women, remain excluded from formal financial services. This highlights the need for expanding financial inclusion, with its demonstrated effects of reducing poverty; empowering women; supporting small and medium enterprises; helping build stable financial systems; and mobilizing domestic resources through national savings. Also relevant to the UNCDF mandate is the growing recognition of the need to empower local authorities. More than two-thirds of the people in least developed countries live in rural areas. Continuing population growth and urbanization are projected to add 2.5 billion people to the global urban population by 2050, with nearly 90 per cent of the increase concentrated in Asia and Africa. Growing pressure on local authorities, especially in secondary cities, peri-urban and rural areas, increases their need to access and mobilize finance to build local infrastructure and services for local economic development.

6. The year 2016 marks the start of sustainable development goals implementation. It is the midpoint of the Istanbul Programme of Action. UNCDF leverages its decades-long experience in local development finance and financial inclusion to address a range of development challenges in an integrated fashion, reaching the furthest behind first. By strengthening how finance works in the 'last mile' at the subnational, peri-urban, household, and small-enterprise levels, UNCDF contributes to goal 1, eradicating poverty, and goal 17, on the means of implementation. By identifying those market segments and sectors where innovative financing models can have transformational impact and address unequal access, UNCDF also contributes to several of the

other goals. UNCDF models aim to achieve high leverage ($1-$10 minimum) in domestic resource mobilization to reach the 'last mile'.

7. Ensuring that growth is equitable and sustainable, leaving no one behind, will be a hallmark of achieving the goals. For least developed countries to meet that ambition, finance must be encouraged to flow to the last mile. Catalytic official development assistance that unlocks those flows, and de-risks the investment space to reveal new markets, will be critical to achieving that transformation. The Addis Ababa Action Agenda, Agenda 2030, and the Istanbul Programme of Action provide the moment for acceleration. With a highly relevant but under-funded business model, the UNCDF core resource environment is of great concern, given the growing shortfall against the $25 million annual target agreed in the strategic framework, a minimum to reach 40 least developed countries (translating to about $500,000 per country – good value for money, particularly when leverage is factored in). Core resources are the foundation of the UNCDF business model, providing the risk capital for innovation and leverage, the technical expertise to remain at the frontiers of last-mile finance innovation, and the robust country-level strength to be a strategic partner to governments and United Nations country teams.

8. To meet the challenges of the new development agenda, UNCDF reinforced its four-window architecture. In addition to the core (window 1), UNCDF launched its 'Last Mile Finance Trust Fund' (window 2) to act as its preferred flexible non-core vehicle for thematic and country expansion resources. Earmarked non-core funds (window 3) remain a major source of funding, including through Multi-Partner Trust Fund resources for joint programming with UNDP and other United Nations partners. And the LDC Investment Fund (window 4) will provide the capital through which UNCDF can replicate and scale up its use of grants, reimbursable grants, loans and guarantees to de-risk investments, provide seed capital, and 'prime the pump' for investor uptake.

B. Highlights of results, 2014-2015

9. This section provides highlights of UNCDF programmatic performance, 2014-2015, as well as contributions made to the three substantive outcomes by its two main practice areas – local development finance and financial inclusion. Performance is largely on track (see annex 2 for full reporting against the integrated results and resources matrix indicators).

Results against outcome 1: Financing increased for basic services and inclusive growth/local economic development

Local development finance

10. The purpose of the local development finance practice is to encourage the investment of domestic public finance and capital markets in local economies in a way that promotes sustainable and equitable growth. Since many local economies are not able to attract investment, the benefits of growth bypass many populations. As a result, finance is unavailable for catalytic, high-impact projects in essential areas such as municipal infrastructure, women's economic empowerment, food security, climate change, and clean energy. The local development finance practice designs and tests financial models to address that challenge.

11. The first two years of the strategic framework oversaw a significant, three-pronged evolution in the financial tools and instruments of the local development finance practice. First, UNCDF developed and successfully tested new tools to unlock domestic finance for local economic development through its local finance initiative (LFI). Second, the UNCDF local development Fund (LDF) model – using fiscal decentralization as its foundation – introduced a third generation of innovations, notably new performance elements used as leverage for blended finance by providing seed capital for bankable projects. Third, the local development finance practice is introducing platforms and models that diversify the sources of financing for municipalities by tapping into more sustainable sources such as loans, public-private partnerships, and bonds, and carving out innovation space for sources such as crowd-funding and remittances.

12. The local development finance practice measures its contribution to outcome-level results via the 'local fiscal space' indicator. Increasing the capacity and fiscal space of local authorities can empower secondary cities, towns, and rural areas to promote local economic development. Local

fiscal space is measured by looking at the revenues and regular transfers received by local authorities minus regular expenditures, such as staff and operational costs. This yields the surplus that can be used for local economic development and service provision, expanding fixed capital formation at the national level.

13. Since 2013, UNCDF has been able to detect increases in local fiscal space in a number of local authorities where it operates. In Cambodia, for instance, the space increased by an average of 60 per cent in the five local authorities covered by the 'Promoting Local Development through Decentralized Health Service Delivery' programme. Similarly, a 225 per cent increase was observed in a sample of local authorities that benefited from UNCDF support through the '*Programme d'appui au développement économique local*' in Niger. UNCDF contributed to those increases through its national-level advocacy work to improve and increase fiscal transfers to the local level, and through the demonstration effect of its programmes in terms of strengthening local capacities in planning and management of investments. A highlight was the decision of Japan to scale up the UNCDF-tested local 'fiscal grant facility' in Bangladesh to about $400 million. Significant effort continues to be invested in research methods to establish the link between growth in local fiscal space and UNCDF contributions.

Table 1. Progress against relevant integrated results and resources matrix indicators

Indicator	Plan 2015	Actual 2015	Performance*
Outcome 1.b. Net increase in local fiscal space available for local development in sub-national territorial jurisdictions	50%	425%	+
Output 1.2.1-a Change from baseline in value of total national budget allocated to local governments leveraged by UNCDF contribution	25%	47%	+
Output 1.2.2 Change from baseline in value of domestic capital mobilized to the local level (leveraged by UNCDF contribution)	13%	3730%	+

*Performance assessment scores: Achieved (+) = 75-100%; Partially achieved (+/-) = 50-70%; Not satisfactory (-) = < 50%

14. $24 million has been disbursed in grants to benefit 1,077 local authorities across 21 countries through the UNCDF local development finance practice, supporting local economic development in urban, peri-urban and rural communities where needs are greatest. This funding was channelled using a number of local development finance instruments which deploy seed capital and technical assistance to build bankable projects that attract domestic private funding for local infrastructure needs. While the local development fund remains a central instrument within the local development finance practice toolbox, comprising 85.4 per cent of the portfolio, the local finance initiative now represents 3.87 per cent of the portfolio (up from 0.08 per cent in 2013). To date, more than $46 million has been mobilized from domestic sources through the initiative. In Tanzania a platform was created to expand the modality nationwide. The success spurred demand for replication, notably in Benin and Uganda. Performance-based, climate-resilient grants used by the Local Climate Adaptive Living facility (known as 'LoCAL') also expanded, accounting for 10.73 per cent (up from 7.45 per cent in 2013).

15. In addition to increased financing, many local authorities benefited from technical assistance to improve local public administration and financial management. During the past two years, over 14,900 government officials and local stakeholders were trained in skills ranging from investment planning to capital investment programming, public financial management, audit, procurement, and engineering. Twenty-eight per cent of trainees were women.

Table 2. Progress against relevant integrated results and resources matrix indicators

Indicator	Plan (2015)	Actual (2015)	Performance
Output 1.2.4 Number of local Institutions that improve performance against allocation related indicators of Public Expenditure and Financial Accountability (PEFA)	20	17	+
Output 1.2.5 Number of investment projects reaching financial closure following effective investment appraisal	15	15	+
Output 1.2.7 Number and type of local investments in infrastructure and services completed	1,588	1,549	+
Output 1.2.8 Number of local investments in UNCDF-supported revenue-generating private and public-private infrastructure and services complying with financial projections	4	6	+
Output 1.2.9 Number of local institutions that improve accountability-related PEFA indicators	20	15	+
Output 1.2.11 Number of revenue-generating projects with multi-stakeholder boards	4	9	+

Financial inclusion

16. UNCDF work in financial inclusion also evolved during the first half of the strategic framework period. With financial inclusion recognized as a target in seven of the 17 sustainable development goals and as an enabler for sustainable and equitable growth, the UNCDF 'Making Access Possible' (MAP) diagnostics and stakeholder processes provide critical underpinnings with a statistically significant data set on demand for and supply of financial services, as well as legal, regulatory and other contextual factors. These data reveal potential markets and help governments define their own financial inclusion strategies and roadmaps. The data also help 'crowd in' private-sector actors to invest in financial access, and provide the basis for broad stakeholder coordination.

17. UNCDF interventions are building solid ecosystems to enable the adoption of digital financial services at scale through its 'Mobile Money for the Poor' programme. UNCDF demonstrated the viability of new markets, such as empowering youth with its YouthStart programme and expanding clean energy access through CleanStart, a demonstration of how financial services can support the dissemination of important technology to least developed countries. Similarly, UNCDF helped expand access to remote rural areas with technology and alternative delivery channels, notably through MicroLead. That programme saw significant expansion in 2015, as some of the new financial products it had assisted financial service providers to design began to scale up. Over 400,000 new customers, over 70 per cent of them women, were reached by savings products developed with MicroLead support in nine countries. The midterm evaluation findings were broadly positive; evaluators concluded that MicroLead piloting was 'relevant and effective in supporting the financial inclusion of rural low-income clients' in the 10 countries where it intervened.[1]

18. Underpinning these interventions was a strong domestic resource mobilization drive, leveraging targeted official development assistance with domestic resources and private investments, and promoting women's economic empowerment. Impact studies[2] consistently show positive economic outcomes for women with access to savings, including increasing the productivity of rural women, expanding their profits, increasing investment in their businesses, and expanding their legal control over funds. In addition, digital financial services increase women's financial autonomy, support their participation in the labour force, and improve the performance of their businesses[3].

19. UNCDF invested $24 million in 101 financial service providers during 2014-2015 to expand the frontiers of financial inclusion, resulting in outreach to 6.5 million clients with a range of financial

[1] Midterm evaluation of the MicroLead Expansion Programme, February 2016.
[2] 'Promoting Women's Economic Empowerment, What Works?' World Bank, Policy Research Paper 7087, November 2014. http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2014/11/04/000158349_20141104112018/Rendered/PDF/WPS7087.pdf
[3] 'Digital Financial Solutions to Advance Women's Economic Participation', World Bank Development Research Group, BTCA, Bill and Melinda Gates Foundation, Women's World Banking, November 2015: https://btca-prod.s3.amazonaws.com/documents/122/english_attachments/Women's_Economic_Participation_Report_16_November_2015.pdf?1447440924

products at reasonable cost, and on a sustainable basis. Clients included some 666,000 depositors in the Democratic Republic of the Congo and 528,000 in Niger. UNCDF intermediated funding for micro, small and medium sized enterprises to grow their businesses and create jobs.

20. UNCDF works with development partners to align support and programming with national priorities. Country-level investment committees review new initiatives and coordinate – and in some instances pool – country-level funding. Development partners are providing $99 million in funding for UNCDF-designed programmes over the course of the strategic framework. These non-core resources complement and leverage (23 times over) UNCDF core resource investments, contributing significantly to higher-level results.

21. Within the context of their total deposits of $1.9 billion mobilized, UNCDF-supported financial service providers have achieved a net increase in deposits of $696 million mobilized since the 2013 baseline, demonstrating the potential for well-targeted official development assistance to catalyse domestic resources for development.

Table 3. Progress against relevant integrated results and resources matrix indicators

Indicator	Plan (2015)	Actual (2015)	Performance
Output 1.1.1 Change in value of loan portfolio of FSPs leveraged by UNCDF core contribution	10:1	160:1	+
Output 1.1.2 Net change of domestic savings mobilized by UNCDF-supported FSPs	10:1	46:1	+
Output 1.1.3 Percentage of FSPs that have audited financial statements	90%	99%	+
Output 1.1.4 Percentage of FSPs making progress toward profitability targets	80%	76%	+
Output 1.1.5 Percentage of FSPs meeting portfolio quality targets	80%	62%	+
Output 1.1.6 Percentage of FSPs that endorse SMART campaign client protection principles or equivalent	87.5%	95%	+

Results against outcome 2: Financing mechanisms established to increase resilience to economic and environmental shocks

Local development finance

22. The local development finance practice increases the resilience of least developed countries in two ways: first, by promoting financing mechanisms and institutions that can provide sustainable resources for local climate resilience (for which local authorities have both the mandate and comparative advantage), thereby enhancing local ownership and transparent decision-making; and second, by targeting investments towards social and environmental areas that affect community resilience, such as adequate access to nutritious food, climate change adaptation, and gender equality.

23. Three programmes in particular contribute to this outcome: LoCAL, which helps governments channel global climate adaption finance to local governments; Finance for Food (F4F), which supports a local food systems approach to food security; and the Local Cross-Border Initiatives programme ('LoBI'), which emphasizes cross-border cooperation and investment planning in fragile settings.

24. To date, the LoCAL mechanism has been implemented in 11 countries, with grants totalling $3.5 million transferred to 10 of them. Sixty local authorities are capacitated to manage performance-based, climate-resilient grants, representing a population of some 10 million people. In Bhutan, 47 infrastructure projects were implemented under LoCAL, including the construction of fortified roads and elevated bridges and upgrades to drainage and water supply systems. Those projects directly benefited 10,693 people in participating communities and provided indirect benefits to people in surrounding districts by reducing the impact of flooding on their lives. In 2015, the LoCAL programme board (comprised of the participating governments) agreed that LoCAL should become a

recognized mechanism for local governments to directly access the Green Climate Fund. Cambodia began that process last year.

25. The Finance for Food programme was launched in June 2015 and covers five countries: Benin, Burundi, Mali, Mozambique, and Niger. It seeks to improve local community resilience to food shocks by strengthening local food systems, thus contributing to the four pillars of food security (access, availability, utilization and stability). Since its launch, 83 food security investments were made in the five countries, totalling $3,661,040. In Mali, UNCDF is supporting the government to integrate food security concerns into local planning and budgeting processes. More than $2 million has been invested in food security-related infrastructure, such as grain storage facilities and improved irrigation systems. Negotiations with multilateral development banks to scale up this system began in 2015.

26. After the first coordination meeting of the multi-stakeholder consultation group on cross-border cooperation – uniting local authorities from Burkina Faso, Mali, and Niger – in 2014, the first grant under the LoBI programme was disbursed in 2015 to support the implementation of investments in the livestock sector. LoBI fosters cooperation between local authorities from different countries, creating an interdependent system of local planning to respond jointly to the needs of their populations. These investments reduce the risk of conflict between farmers and pastoralists, and improve the offer of services needed to improve animal health and the quality of livestock products.

Table 4. Progress against relevant integrated results and resources matrix indicators

Indicator	Plan (2015)	Actual (2015)	Performance
Output 2.2.1 Number of public and private financing systems for local infrastructure and services that improve resilience of local governments and their populations to shocks	6	5	+
Output 2.2.3 Number of beneficiaries targeted by new mechanisms in place	325,000	958,801	+

Financial inclusion

27. UNCDF focused on expanding the frontiers of financial inclusion by piloting new products and market segments (youth, mobile money, and clean energy) and bringing them to scale. Targets were achieved for new product introduction, while the number of clients reached through savings products to increase resilience exceeded the overall target.

28. For YouthStart, 2015 was a pivotal year, with the completion of the regional pilot, a positive final evaluation, and approval of a global programme to scale up that integrates lessons from the pilot and evaluation. YouthStart more than tripled the pilot's original target of providing access to finance to 200,000 youth (ages 12-24), ultimately reaching over 600,000 youth (49 per cent of them young women) with access to financial and nonfinancial services. Young people in the programme saved over $16 million, and over 80,000 young entrepreneurs accessed $11 million in loans. The evaluation found that YouthStart contributed to increased resilience to economic shocks with almost 80 per cent of youth clients claiming that "their lives had changed" in terms of financial capabilities, income generated, greater independence, and increased self-esteem.

29. The CleanStart 'Energy Access Challenge', with investments in ten companies across Cambodia, Myanmar and Uganda will, by 2017, have sold high-quality, affordable clean energy solutions to over 178,000 low-income consumers. This can be particularly important for women, who provide the vast majority of unpaid care work. Clean energy solutions can reduce the time needed to fetch water, prepare food, and carry out other household activities, freeing up time to engage in productive remunerative activities and improving overall household welfare. Participating companies are taking full advantage of technological advancements in smart devices, digital payments, and data analytics, in addition to building up 'last-mile' distribution capacity. Since 2014 CleanStart has facilitated access to more than 43,570 clean technology solutions, such as solar lanterns and home systems, biogas digesters and clean cook-stoves. Among these, over 39,900 are in Nepal, a notable

achievement given the massive earthquake in 2015. There, $510,000 in CleanStart funding for four financial service providers leveraged $6.5 million in loans outstanding for over 30,000 clients.

Table 5. Progress against relevant integrated results and resources matrix indicators

Indicator	Plan (2015)	Actual (2015)	Performance
Output 2.2.1 Total number of clients served with products that strengthen client resilience to shocks	3,900,000	6,498,526	+
Output 2.2.3 Number of product innovations in areas such as youth finance, clean energy finance, agricultural/rural finance, mobile money or cash-to-electronic transitions	35	28	+

Results against outcome 3: Policy environment that is conducive to sustainable financing for sustainable development

Local development finance

30. At the global level, the local development finance practice has contributed to the financing for development agenda by advocating the crucial role of domestic capital in building resilient economies and the fundamental role of local governments in driving transformative development. The practice demonstrates through its programmes and knowledge products how local development finance can support catalytic investments and leverage domestic resources for local economic development. The practice works with a wide group of partners to implement the Addis Ababa Action Agenda and Agenda 2030. With United Cities and Local Governments and other actors, UNCDF works with the global task force for the localization of the sustainable development goals. The objective is to increase financing for local authorities and other local stakeholders to build infrastructure that supports resilient, viable, and inclusive local economies.

31. LoCAL raised awareness of the importance of local authorities in strengthening climate resilience. The programme worked closely with the least developed countries group and the United Nations Framework Convention on Climate Change at the preparatory meeting for the twenty-first session of the Conference of the Parties to ensure that the role of subnational governments was recognized in the Paris Agreement. UNCDF also joined the Cities Climate Finance Leadership Alliance, which seeks to accelerate capital flows to cities and maximize investment in climate-resilient infrastructure.

32. UNCDF supported policy changes and reforms at the national level. In Lesotho, lessons learned from the Deepening Decentralization programme contributed to the content and adoption of the national decentralization policy, a milestone in the decentralization process. The policy promotes equitable local development by strengthening decentralized provision of basic services, democratic governance, and greater fiscal autonomy of local authorities.

33. In Somalia, through the United Nations Joint Programme on Local Governance and Decentralized Service Delivery, the local development finance practice is contributing to peace and reconciliation. It is supporting state-building from the bottom up in Somaliland and Puntland by developing the capacities of local authorities to provide basic services and promote local development. Since the launch of the fund, transparency and accountability in public financial management in targeted local authorities has improved significantly. The practice is now the go-to-mechanism for several donors, including the World Bank. Trainings on public financial management have helped increase the absorption capacity of the local governments, supporting them to handle larger infrastructure projects. A total of $8.5 million has so far been channelled into local development projects through this approach, supporting roads and water supply infrastructure.

Table 6. Progress against relevant integrated results and resources matrix indicators

Indicator	Plan (2015)	Actual (2015)	Performance
Output 3.2.1 Number of local development diagnostics completed	38	31	+
Output 3.2.2 Number of national strategies or action plans for local development finance adopted	30	34	+
Output 3.2.3 Number of policy or regulatory changes as a result of UNCDF advocacy on local development finance	8	7	+
Output 3.2.4 Number of initiatives to strengthen capacities of national and local actors	188	247	+
Output 3.2.5 Number of approved UNCDF publications	45	60	+

Financial inclusion

34. UNCDF provides support to the Secretary-General's Special Advocate for Inclusive Finance for Development – the Queen of the Netherlands – through her Reference Group4 and the Group of Friends of Financial Inclusion5, and with her office directly.

35. UNCDF participated in discussions on the formulation of the sustainable development goals. Financial inclusion appears as a target under seven of the goals, and key financial inclusion indicators are among those endorsed by the Statistical Commission. UNCDF made contributions to the Addis Ababa Action Agenda, which reflects the significance of expanded financial inclusion for sustainable development. In December 2015, the General Assembly passed a resolution recognizing the importance of financial inclusion for Agenda 2030. UNCDF provided technical advice on the proposal. UNCDF co-hosted 'Responsible Finance Forum VI', which brought together various development actors to identify sound practices for responsible digital finance.

36. At the national level, UNCDF has transitioned to a market systems approach to financial inclusion. As the Consultative Group to Assist the Poor (CGAP) notes in updated guidance to funders, "the diagnostic process is the backbone of a market systems approach". In 2015, UNCDF supported 12 national-level diagnostics in areas related to the 'Making Access Possible' tools, leading to five national-level financial inclusion road maps to date. In addition, UNCDF supported 15 ecosystem diagnostics of specific issues (including digital finance and youth).

37. In 2015 the Government of Myanmar approved a 'financial inclusion road map'. The UNCDF 'Making Access Possible' diagnostic informed the government-led stakeholder dialogue that resulted in the road map, with the official launch taking place during the visit of the Special Advocate. 'Making Access Possible' supports 10 other countries in similar processes[6]. It offers a powerful platform to encourage private sector investments in expanding financial inclusion, and is becoming a strong engine for South-South cooperation, fostering peer-to-peer learning among countries.

38. The Pacific financial inclusion programme has used data collected on the demand for financial services in Fiji, Samoa and the Solomon Islands to build a comprehensive picture of underserved segments in each market, including by geography, age and sex. The economic empowerment of women is a key outcome in the financial inclusion strategies of Fiji, Papua New Guinea, Samoa, and the Solomon Islands. The studies were fed into national financial inclusion strategies, which the programme helped develop.

39. Mobile Money for the Poor (MM4P) has supported governments to make a number of improvements to the 'enabling environment'. The Bank of the Lao PDR issued guidelines for bank and non-bank digital financial services; the first such service was launched, reaching 33 agents and

[4] Members include UNCDF, the World Bank, the International Monetary Fund, the International Finance Corporation, CGAP, the Alliance for Financial Inclusion, BTCA, the Department of Economic and Social Affairs, UNDP, the Omidyar Network, and the Bill and Melinda Gates Foundation.

[5] Informal group of countries, co-chaired by Indonesia, Peru, and Tanzania, that advocates for financial inclusion in intergovernmental processes.

[6] Botswana, Cambodia the Democratic Republic of the Congo, Laos, Lesotho, Madagascar, Malawi, Myanmar, Nepal, Swaziland, and Zimbabwe.

over 1,000 customers nationwide. Nepal issued groundbreaking new licensing of non-bank payment service providers, allowing for non-bank digital financial services agents. In Uganda, the parliament approved the revision of the Financial Institutions Act, creating a more level playing field for banks and mobile network operators to compete in digital financial services.

40. The advocacy of the Better Than Cash Alliance (BTCA) has led to growing international recognition of the importance of digitizing payments. BTCA, for which UNCDF serves as secretariat, has secured the membership of 18 governments, 19 development organizations, and two companies, and advocated the inclusion of digitizing payments in major policymaking forums, including the Global Partnership for Financial Inclusion, the Addis Ababa Action Agenda, Agenda 2030, and the World Economic Forum. BTCA is contributing to the development in member countries of digital payment ecosystems that promote the sound development of payment infrastructure, driving the shift to digital and benefiting individuals, businesses, and governments.

Table 7 Progress against relevant integrated results and resources matrix indicators

Indicator	Plan (2015)	Actual (2015)	Performance
Outcome 3.a Number of improvements to the policy environment and enabling ecosystem, including client protection, resulting from UNCDF advocacy and support.	19	9	-
Output 3.1.1 Number of diagnostics completed	15	23	+
Output 3.1.2 Number of inclusive-finance road maps, action plans or national strategies adopted	12	10	+
Output 3.1.3 Number of commitments to BTCA to transition cash to electronic payments	15	42	+
Output 3.1.4 Number of capacity-building activities completed to strengthen the capacity of regulators/supervisors	15	46	+
Output 3.1.5 Number of knowledge products that document UNCDF learning from programmes	30	62	+

C. Understanding performance against the strategic framework

41. This section provides an analysis of results based in part on resources and expenditures within the integrated results and resources matrix architecture (annex 1), which has yielded a proposal to revise some indicators to better capture sex disaggregated results and reflect the evolving nature of UNCDF programmes (annex 2).

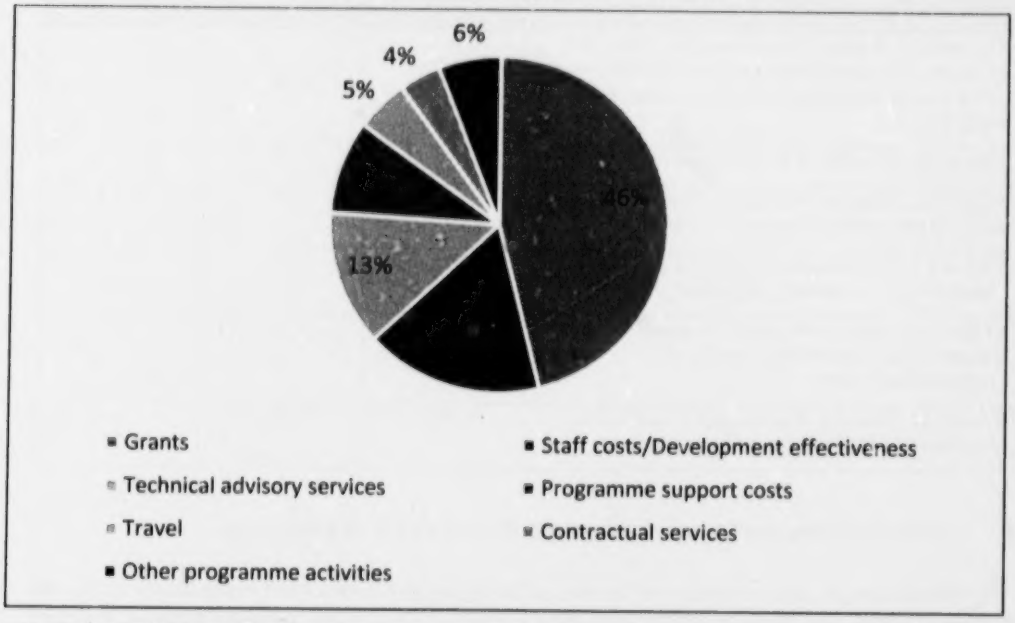
42. UNCDF operates as a small, risk-tolerant innovation fund whose programmes deploy a careful balance of technical assistance with catalytic seed capital to create viable markets and 'crowd in' other investors. This requires a multi-year approach that recognizes that investment in innovation must be sustained into consolidation (for policy and institutional impact) and scale-up (for replication and national impact). To ensure that those balances are maintained and strong results achieved, downward fluctuations in resources are absorbed by reducing the *number of countries* where UNCDF operates. Without a universal mandate in least developed countries and a predictable $25 million per year in core, UNCDF could only maintain programmes in 31 countries as of end 2015. Up to 10 of these are at risk of further reduction by end 2016 without a turn-around in the core.

43. The UNCDF core of yesterday seeded the innovations that are the flagships of today. Without a strong core, UNCDF loses critical innovation space to seed the flagships of tomorrow. An acceleration in financial innovation is now in sight with the Addis Ababa Action Agenda and Agenda 2030. UNCDF has the potential to catalyse and drive frontier finance models into the 'last mile' in least developed countries with a range of old and new partners, but only with a predictable resource base to support us. Core donors are valued for their willingness to take risk with us, participate in the

creation of new models and new learning, and test ideas that institutional investors are not yet ready to take up. The UNCDF core offers value for money, promising country start-up with a $500,000 commitment, and a minimum 1 to 10 leverage within three to five years in most country settings.

44. Core resources fund the organizational backbone of UNCDF, help ensure the highest standards of transparency and monitoring, assure retention of state-of-the art expertise, and provide seed capital to establish market viability and leverage. For the latter, UNCDF seeks to preserve a minimum 40 per cent capital component in its expenditure profile at all times. In 2015 the capital component against total programme resources stood at 46 per cent (figure 1, below). Maintaining the ratio is fragile as the core resource base shrinks, and can be maintained only by reducing the number of countries where UNCDF operates. With increased core, we can leverage the additional capital needed for market-making investments, increasing both country coverage and overall financial leverage for each of those countries while maintaining a healthy technical assistance-to-capital ratio.

Figure 1. Programme expenditure breakdown



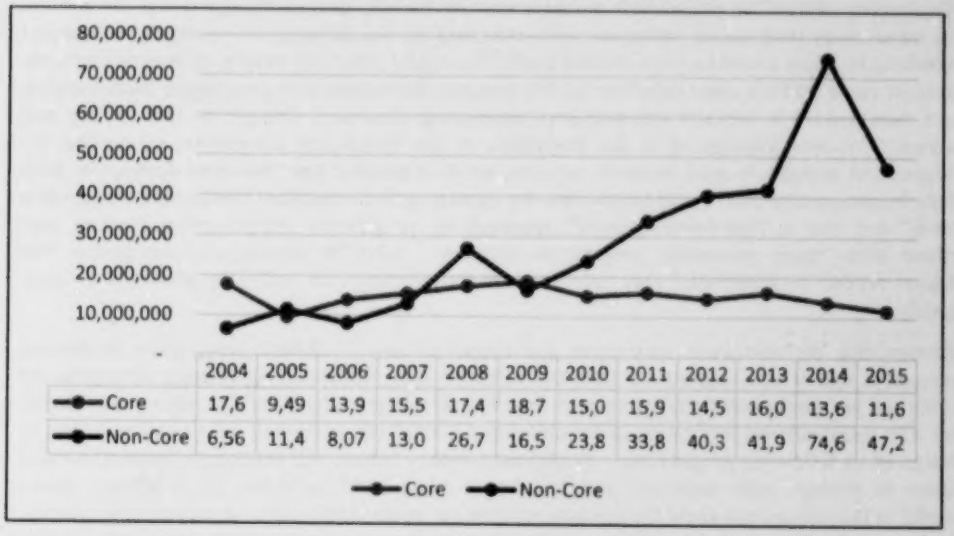
45. Core is also the bedrock of ensuring strategic engagement at the country level. The partnership survey (annex 3) and evaluation evidence highlight the need for more robust country-level presence. Regionally based technical advisors cover many countries and are not able to devote the same attention to government policy and strategy, UNDP and United Nations country team-UNDAF coordination efforts, and programme partners, that full-time in-country experts can provide. The "projectization" of the UNCDF country footprint is a negative by-product of the reduction in core resources, and a lost opportunity for maximizing the impact of last-mile finance across the United Nations system and government plans.

46. Non-core resources are generally earmarked to specific countries, programmes, or themes. Such resources help UNCDF consolidate and scale up lessons from its core-funded innovations and expand them within and into new countries. This is the largest source of annual income for UNCDF, but also the least flexible to meet new demand or drive new innovation.

47. UNCDF income figures show strong non-core resource mobilization during the strategic framework period, particularly in 2014 (figure 2, below). However, they also show the decline in core resource allocations over the course of the last 10 years, with a sharp decline from $16 million in 2013 to $11.6 million in 2015, and projections of $9 million for 2016. Core resources thus fall well

short of the $25 million annual target agreed in the strategic framework, the minimum UNCDF needs to reach 40 least developed countries.

Figure 2. UNCDF income trend, 2004-2015



	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Core	17,6	9,49	13,9	15,5	17,4	18,7	15,0	15,9	14,5	16,0	13,6	11,6
Non-Core	6,56	11,4	8,07	13,0	26,7	16,5	23,8	33,8	40,3	41,9	74,6	47,2

48. In January 2016, UNCDF revised its four-window funding architecture as follows: window 1, core; window 2, the new Last-Mile Finance Trust Fund, with five thematic windows (green economy; food security and nutrition; infrastructure and services; economic empowerment of women and youth; and financial inclusion and innovation) and one country expansion window, to meet expressed demand for thematic interventions, consolidate country-level innovations into policy and institutional settings, and assure the conditions for scale-up; window 3, fully earmarked non-core; and window 4, the LDC Investment Fund.

The LDC Investment Fund will provide additional *capital* for catalytic seed funding for initiatives 'below the radar' of institutional investors. UNCDF capital in the form of grants, reimbursable grants, loans, and guarantees will de-risk investments to demonstrate value and reveal markets, crowd in other investors, and accelerate progress across its portfolio on the innovation-to-scale continuum.

49. Looking toward the remaining years of this strategic framework and beyond, UNCDF remains committed to expanding the frontiers of innovative finance in the 'last mile'. This includes exploring opportunities related to bringing adapted technologies to the 'last mile' in least developed countries; expanding the reach of micro-insurance; making it easier and cheaper to send and receive remittances; and supporting cities to meet the demands of a new urban agenda. The potential exists to adapt UNCDF finance models to these and other areas. Realizing that potential, however, requires an adequate and predictable core resource base.

Select lessons and findings at the mid-point of the strategic framework

50. Evaluation and programme reviews provide valuable lessons and recommendations that help shape UNCDF interventions. What follows are some key lessons that have been incorporated into UNCDF programming.

51. Evaluations conducted by the UNCDF evaluation unit generally find UNCDF interventions to be highly relevant to country development strategies and to the targeted organizations and individuals. For example, in Benin, the focus on support to local authorities through a 'learning by doing' approach was considered an intelligent way to support sustainable interventions in managing food security investments, while also noting that in some instances working through national systems could engender "considerable delays in the length of the investment cycle from the time money was

provided from the central level to conclusion of the work"[7]. Evaluators also highlighted some weaknesses in "strategic coherence … between the choice of the investments and the objectives of local economic development and food security at the local level"[8]. UNCDF is addressing both issues in the successor Finance for Food programme.

52. The quality of UNCDF programme management was broadly praised, though it was pointed out that in some cases programme managers were stretched by the demands of managing concurrent interventions in many countries with limited staff. This could affect the results of programmes, for example, in cases where a more intensive on-site presence by managers or programme implementing partners was needed to support organizations undergoing long-term changes to their policy and operations. This was highlighted in the evaluation of the MicroLead programme supporting the development of savings-focused financial services, which concluded that "the short duration of field missions by programme staff (each responsible for managing five countries) constrained a deep-dive approach" and that a "feet-on-the-ground" approach by programme implementing partners was correlated with "more successful programme delivery"[9]. UNCDF agrees, and recognizes that constraints related to diminished core resources severely restrict our ability to address this issue adequately.

53. Recognizing the relevance, innovation and impact of the YouthStart programme, evaluators recommended that where appropriate UNCDF consider *more holistic programming arrangements* involving not just direct beneficiaries, such as financial service providers, but also other actors in that system who could support replication and scaling up. UNCDF has addressed the recommendation in the design of its follow-up programme – YouthStart Global – which will encourage financial service providers to partner with technical and vocational educational providers or economic actors successful in the sectors that show the greatest promise for youth employment in a particular country, and budget the funding needed to achieve results. This has been incorporated into the youth country assessments completed in seven countries.

54. From its 'Making Access Possible' diagnostic work, UNCDF learned the power of data-driven approaches in developing a shared common vision while revealing market opportunities to the private sector. Competitive requests for applications and performance-based financing agreements are effective for de-risking investments, leveraging private-sector equity, driving innovation, identifying market opportunities, and pushing the frontiers of finance into underserved markets and segments. Those lessons will be reflected in the next generation of UNCDF financial inclusion programmes.

55. In some UNCDF-supported local governments, contraction of the local fiscal space was observed, which hints at the significant level of dependence of many local authorities on fiscal transfers from the central government for their operational and investment needs. This highlights the need for least developed countries to seek further resource diversification to ensure financial sustainability and some degree of autonomy in revenue mobilization. It also suggests that UNCDF should continue expanding its financial toolbox and place greater emphasis on the mobilisation of private sector resources (especially from the domestic level) to support local capital investments through diverse instruments.

56. The local finance initiative has shown the value of structured project finance. The programme set out to show that local infrastructure projects that are prioritized by local governments and communities can attract funding primarily from domestic capital if existing market failures are addressed. By directing strategically placed official development assistance to de-risk and structure priority local infrastructure projects, the programme demonstrated that finance can be leveraged at a rate of at least 1:10 in support of economically transformational investments. In so doing, the programme is contributing to a change in investor behaviour and attracting interest in funding smaller-scale projects. The Government has moved to institutionalize the local finance initiative approach in all local government authorities in Tanzania for scale-up and sustainability. With proof of concept demonstrated, UNCDF is replicating this programme in other least developed countries.

[7] Final evaluation, *Projet d'appui à la décentralisation, à la déconcentration et au développement économique local au Benin*, page 6. 2014.
[8] Ibid.
[9] Midterm evaluation, MicroLead programme, page 82, 2016

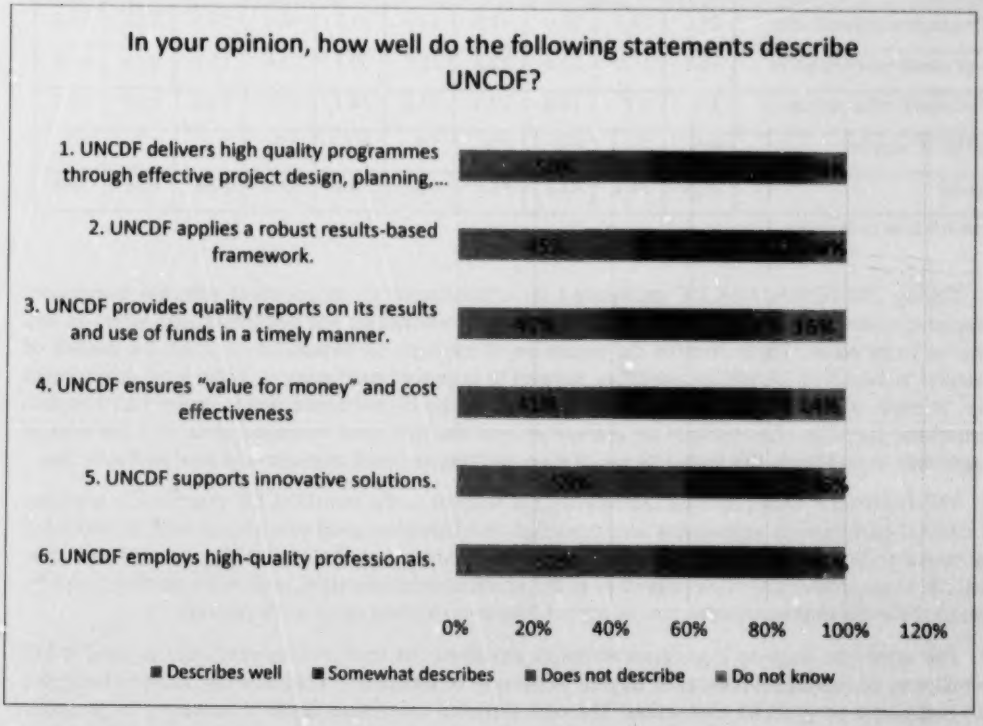
57. On the diversification of the UNCDF funding base, an internal review of the Swedish Government-funded partnership framework for flexible non-core (the 'PFIS' framework) confirmed the relevance to UNCDF and its partners of a funding approach that provided targeted but flexible support to new UNCDF financial models in thematic areas such as renewable energy, climate change adaptation, mobile financial services for the poor, and local infrastructure. It also confirmed the relevance of the arrangement to the funder, concluding that the Swedish International Development Agency had been able to "access a range of UNCDF interventions, expertise and country-level presence in a more efficient manner than support to individual programmes". UNCDF incorporated these lessons into the design of its successor funding window, the Last Mile Finance Trust Fund, which was launched in March 2016.

D. Analysis of institutional effectiveness

58. Twenty-four of 28 institutional effectiveness indicators in the internal results and resources framework are 'on track' or 'above track' (annex 2). Indicators demonstrating strong UNCDF performance include audits, evaluations, the leverage ratio of core to non-core, and communications activities. The indicators showing results lower than anticipated include System-wide Action Plan indicators and the level of core resources secured for the strategic framework.

59. The results of the external partner perception survey support a picture of good performance, with 76-89 per cent of respondents 'agreeing' or 'somewhat agreeing' that UNCDF has high project management capacity, strong monitoring and evaluation and reporting ability (though this requires work), and cost effectiveness (figure 3, below). UNCDF ranked well on its ability to support innovative solutions and employ high-quality staff.

Figure 3. Partner responses on institutional effectiveness of UNCDF


In your opinion, how well do the following statements describe UNCDF?
1. UNCDF delivers high quality programmes through effective project design, planning,...
2. UNCDF applies a robust results-based framework.
3. UNCDF provides quality reports on its results and use of funds in a timely manner.
4. UNCDF ensures "value for money" and cost effectiveness
5. UNCDF supports innovative solutions.
6. UNCDF employs high-quality professionals.
0%
20%
40%
60%
80%
100%
120%
Describes well
Somewhat describes
Does not describe
Do not know

60. UNCDF undertook an organizational realignment process during 2014-2015 to streamline its operations and structure its work more effectively and efficiently based on available resources. This

resulted in annual savings of just under 20 per cent of staff costs funded from regular resources as of 2016.

61. UNCDF rolled out a revised internal control framework and delegations of authority to reinforce effective management, governance, and risk management across the organization. To further streamline its business processes, a number of policies – such as on loans and enterprise risk management – were updated, as were the standard operating procedures.

62. UNCDF made considerable progress in implementing both internal and external audit recommendations. Implementation of all recommendations is in advanced stages, and six out of 10 internal audit recommendations, along with five out of seven (2013) and four out of nine (2014) external audit recommendations, have been fully implemented.

63. Total expenditures in 2015 were $70 million, $8.2 million higher than in 2014. Expenditures against core resources increased by $2.7 million to $11.9 million, while expenditures against other resources increased by $6.6 million, to $54.7 million. The increase in expenditure underscores the UNCDF focus on effective programme delivery against available resources.

64. Fund balances at the end of 2015 were $102 million. UNCDF has made provisions for after-service health insurance as required by International Public Sector Accounting Standards, and recalculated its operational core reserve to $12.4 million. The extrabudgetary reserve is at $2 million. Based on the recommendations of the United Nations Board of Auditors, UNCDF is working with an external firm to reassess the adequacy of its operational reserve. Appropriate adjustments will be made against the fund balances once a revised operational reserve requirement is established.

Table 8. Expenditure trends, 2006-2015

Expenditures	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**
Programme expenditures	25.2	28.7	37.0	41.5	43.9	53.7	48.6	54.5	57.3	66.6
- of which core resources	16.8	19.0	22.6	22.2	25.0	29.4	23.6	15.1	9.2	11.9
- of which other resources	8.4	9.7	14.4	19.3	18.2	24.4	25.0	39.4	48.1	54.7
UNCDF support	4.6	5.4	6.8	7.6	5.5	6.2	5.0	8.3	5.3	4.2
Total	**29.8**	**34.1**	**43.8**	**49.1**	**49.3**	**59.9**	**53.6**	**62.8**	**62.6**	**70.8**

(*In millions of dollars*)

65. During 2014-2015, UNCDF maintained its commitment to independent external evaluation, completing three multi-country programme and project evaluations and beginning two others in key areas of its mandate. These covered the expansion of savings; the expansion of youth-led models of financial inclusion in 10 African countries; support to improved food security at the local government level in each of Benin and Niger; and development of the microfinance sector in the Lao People's Democratic Republic. Expenditure on *evaluation* over the two years averaged close to 1 per cent of programme expenditure, not including monitoring and results-based management staff and activities.

66. The Evaluation Unit provided methodological support to the two UNCDF practices in applying an internal performance assessment tool modelled on evaluation good practice, as well as assessing the measurability of programmes and projects being submitted to the Project Appraisal Committee. UNCDF management provided responses to the recommendations from evaluation findings, and by January 2016 the implementation rate of agreed follow-up actions stood at 79 per cent.

67. The main challenge to evaluation activities remained the lack of core resources to fund a full complement of evaluation managers, as well as the cost of thematic evaluations that must be budgeted over and above programme evaluation. The core resource constraints made it necessary to postpone the planned thematic evaluation of the local development finance mechanism covering 2005-2014, and the evaluation unit continues to seek a second junior professional officer to support its work.

68. UNCDF will request that its evaluations be included systematically in the assessment of decentralized evaluations by the Independent Evaluation Office. UNCDF has requested the Office to conduct a final evaluation of its strategic framework for presentation in 2017.

69. From a baseline of meeting or exceeding 40 per cent of the 15 indicators included in the System-wide Action Plan on Gender Equality and the Empowerment of Women in 2012, UNCDF reached 53 per cent in 2015, and will accelerate progress in 2016. This midterm review has provided the opportunity to incorporate better sex-disaggregated data in the internal results and resources matrix. UNCDF has incorporated gender equality into its evaluation processes and contributed to the development of the UNEG standards. Internally, UNCDF already has mechanisms in place to ensure that gender equality is reflected in programme design, review and approval processes.

70. The percentage of women on staff increased from 27 per cent, in 2013, to 49 per cent in 2015, with an increase in P-5 or above from 28 per cent to 36 per cent over this period. Deliberate efforts are being made to attract female applicants and advance them through the recruitment process.

71. While both practice areas already had strong programming focus on women as beneficiaries and clients ('outreach targets'), they are now pursuing more multifaceted approaches addressing women as customers, consumers, and economic actors. Each practice has specific initiatives under way including the Shaping Inclusive Finance Transformations (SHIFT) programme in the Association of Southeast Asian Nations region, financial inclusion for women's economic empowerment in Africa, and the Inclusive and Equitable Local Development (IELD) initiative with UNDP and UN-Women to address structural barriers to women's economic empowerment in target countries.

III. UNCDF looking forward

72. Many millions of dollars are needed to meet the sustainable development goals. The financial requirements for least developed countries are enormous. Official development assistance can be the largest source of external finance in these countries, many of which face major constraints in mobilizing other resources for development – both private and public, foreign and domestic – and in channelling them into social and economic infrastructure and productive investments, particularly at the local level. Showing the way for investors by using official development assistance to leverage public and private resources in these least developed countries, especially at the domestic level, will play a crucial role in supporting achievement of the sustainable development goals and contributing to inclusive and sustainable growth. UNCDF finance models have proven leverage of at least 1:10, unlocking resources for poor families, small businesses, and underserved localities.

73. Looking ahead, UNCDF sees at least three opportunities. The first is to use the second half of this strategic framework to deliver on agreed results in accordance with the internal results and resources matrix, building on the lessons learned over the last two years and diversifying its financial toolkit to optimize use of grants, loans, guarantees, and new funding modalities. The second is to expand its models to 40 least developed countries in support of their achievement of the sustainable development goals and their graduation ambitions. The third is to continue evolving so that UNCDF adapts its models to new frontiers of finance, and in response to emerging challenges relating, inter alia, to youth finance, to reinforce ties to community and local economies; expanding digital financial space and micro-insurance; using financial intermediation to unlock access to adapted technologies for poor customers; helping to mobilize new forms of finance for the new urban agenda; and applying new financial solutions to address infrastructure and climate vulnerability problems in rural and peri-urban areas.

74. Essential to seizing these opportunities is that partners fully fund UNCDF core resource requirements. Well capitalized, the UNCDF funding architecture will enable it to be present in 40 least developed countries, helping them unlock ever greater amounts of public and private resources at the local level to support their achievement of the sustainable development goals and graduate with higher levels of equality and sustainability.

United Nations DP/2016/15

Executive Board of the United Nations Development Programme, the United Nations Population Fund and the United Nations Office for Project Services

Distr.: General
5 April 2016

Original: English

Annual session 2016
6 - 10 June 2016, New York
Item 9 of the provisional agenda
United Nations Volunteers

United Nations Volunteers

Report of the Administrator

Summary

This report for the 2014-2015 biennium presents the results and achievements of the United Nations Volunteers (UNV) programme in implementing its Strategic Framework, 2014-2017. It also represents the midterm review of the Strategic Framework, reflecting on progress, challenges, opportunities and how UNV is looking to the future. This report is structured using the UNV Integrated Results and Resources Matrix, 2014-2017, in accordance with Executive Board decision 2014/13. The following annexes are posted on the Executive Board website: (a) UN Volunteer statistics; (b) financial statements; (c) Integrated Results and Resources Matrix reporting and midterm adjustments; and (d) a discussion paper on volunteerism and the 2030 Agenda for Sustainable Development. This report can be read in conjunction with the UNV annual reports for 2014 and 2015, which highlight specific elements of UNV results.

Elements of a decision

The Executive Board may wish to: (a) take note of the results-oriented biennial report of the Administrator; (b) express appreciation to all UN Volunteers and UN Online Volunteers mobilized by UNV for their outstanding contributions to peace and to development globally during the 2014-2015 biennium, especially the 83 per cent of UN Volunteers from countries of the global South, who represent a significant South-South contribution; (c) commend UNV for the midterm results and achievements of its Strategic Framework, 2014-2017; (d) welcome UNV support to programme countries and United Nations organizations in their efforts towards peace and development through the integration of volunteers and volunteerism; (e) request that UNV build on the progress made in pursuing forward-looking, innovative and South-South-focused approaches and partnerships to developing volunteer solutions for sustainable development challenges in the 2030 Agenda for Sustainable Development, including collaboration with non-traditional partners such as academia, civil society, the private sector and others; (f) commend UNV for its active involvement in the development of the 2030 Agenda and in particular welcome the role of UNV in the implementation of the plan of action to integrate volunteering into peace and development policies and programmes for the next decade and beyond, in line with General Assembly resolution 70/129 of 17 December 2015; (g) request UNV to establish a consultative mechanism for Member States on the plan

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of action to ensure that the efforts of multiple stakeholders are leveraged for more people to use volunteerism as a vehicle to engage in implementing the Sustainable Development Goals; (h) welcome the UNV approach at midterm of maintaining an ambitious approach to strategic targets, noting that although full achievement across all result targets represents a significant challenge, these elevated targets continue to strategically orient UNV and are critical to both the development impact and financial sustainability of UNV in the long term; (i) note the UNV midterm financial analysis and results for 2014-2015, specifically the importance of regular resources, provided by Members States to UNV through UNDP, to the UNV operational base to deliver its core mandate; (j) reaffirm the crucial role of the Special Voluntary Fund as an indispensable component of UNV resources, providing seed funding for innovative projects, and call upon all development partners in a position to do so to contribute to the Fund; and (k) call upon UNDP to continue to provide to UNV all necessary administrative, financial and legal support to deliver on its mandate.

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Annexes (available on the Executive Board website)

1. Statistical overview of UN Volunteers
2. UNV financial statements, 2014-2015
3. UNV Integrated Results and Resources Matrix, 2014-2017
4. UNV discussion paper

I. Introduction

1. This report for the 2014-2015 biennium presents the results and achievements of UNV in implementing its Strategic Framework, 2014-2017. It also represents the midterm review of the Strategic Framework, reflecting on progress, challenges, opportunities and the future outlook of UNV. Structured using the Integrated Results and Resources Matrix, 2014-2017, in accordance with Executive Board decision 2014/13, this report demonstrates a shift towards stronger results orientation and accountability for UNV.

2. Across the globe, the growing needs of expanding, younger societies have met with responses conditioned by the global economic crisis. Events during 2014-2015 such as the protracted Syrian crisis and outbreak of Ebola virus disease demonstrated the fragility of development gains and the need for resilience at individual, community, national and global levels. Growing disparities and inequalities have given rise to a new phenomenon of fragile communities, even in countries that traditionally have been stable. During this time, actors from around the world, from different perspectives and contexts, were engaging in processes – including the post-2015 debate – that led to a tectonic shift in the development landscape.

3. The 2030 Agenda for Sustainable Development and the new development landscape will shape the strategic direction of UNV. The recognition in the 2030 Agenda of the need to engage all available resources, and its acknowledgment of the universal nature of development challenges – and solutions – has confirmed the relevance of volunteers and volunteerism. The revitalized desire for people's increased participation in development is central to the UNV mandate, as volunteers and volunteerism play an integral role in enabling people to have a voice and unleash their creative capacity.

4. In 2014-2015, increasing numbers of UN Volunteers and UN Online Volunteers were at the forefront of peace and development around the world. Through five global programmes, volunteerism is demonstrating its potential for transformative impacts, with 30 new-generation, country-based joint United Nations programmes and projects. Engaging global citizens, UNV is transforming the UN Volunteer experience and maximizing personal and professional growth, while valuing the contributions made by volunteers to the efficiency and effectiveness of the United Nations.

5. During the biennium, UNV successfully promoted the role and contribution of volunteers and volunteerism to development, specifically in the lead-up to the adoption of the 2030 Agenda. UNV supported a broad network of international volunteer-sending and volunteer-involving organizations to engage in the intergovernmental debate on the Sustainable Development Goals. UNV advocated with governments, civil society, the private sector and other partners for the recognition of volunteerism as a crucial mechanism for national and local engagement of people in development. It mobilized its network of volunteer groups and civil society partners to support the 'MY World' campaign. The United Nations Millennium Campaign estimated that at least half of the nearly 10 million responses were generated by volunteers who ensured outreach, often in remote regions. This partnership and advocacy work resulted in recognition in United Nations and intergovernmental processes that volunteers and volunteerism are powerful and cross-cutting means of implementing the 2030 Agenda. UNV delivered the second 'State of the World's Volunteerism' report, focused on the impact of volunteerism and contribution of volunteers to transforming governance. The report showcased UNV as a thought leader in the area of volunteerism for peace and development.

6. Financially, the total value of services provided by UNV for the biennium, directly and through United Nations partners, was $402 million. Donors contributed $32.5 million to UNV direct programme activities; contributions to the UNV Special

Voluntary Fund, crucial for continued innovation, were 11 per cent lower than in the previous biennium.

7. While delivering these key results despite volatility in its resource base, a reduction in its core funding and a challenging and evolving development landscape, UNV has focused on making positive internal changes. It has reshaped much of its strategic thinking and policies, strengthened internal governance, pursued a stronger result orientation and deployed new partner engagement strategies, focused on South-South cooperation and stronger partnerships with Member States and United Nations agencies. In reorienting towards its partners and clients, UNV implemented a new partnership strategy aimed at diversifying the partner base, including corporate sector collaboration. At midterm, UNV is focused on continuing to adapt to be fit for the purpose of maximizing volunteer opportunities within the United Nations system, and delivering volunteer and volunteerism solutions for the 2030 Agenda.

II. Strategic Framework, 2014-2017: midterm results and achievements

8. Through the Integrated Results and Resources Matrix, UNV is able to deliver a step-change in how it systematically measures programme and institutional performance against midterm milestone targets. The UNV programme outcome and output performance for 2014-2015 was as follows:

(a) 11 indicators rated as meeting/exceeding expectations, green (performance is within 5 per cent, or above, milestone target);

(b) 6 indicators rated as below expectations, yellow (performance is more than 5 per cent below the milestone target);

(c) 2 indicators for which midterm data are unavailable, grey.

With nearly two thirds of the active indicators (11 of 17) meeting or exceeding performance, UNV has delivered a significant, positive base of results at midterm. Annex 3 provides further data on the indicator baselines, targets and performance, in accordance with the Integrated Results and Resources Matrix.

A. Outcome 1. United Nations entities are more effective in delivering their results by integrating high-quality and well-supported UN Volunteers and volunteerism in their programmes.

Outcome performance		Indicator performance against midterm milestones	
1.1	United Nations partners reporting an effective contribution by UN Volunteers and volunteerism	Not available[1]	
1.2	Beneficiaries positively impacted by UNV	96%	

9. Deploying global citizens as UN Volunteers and effectively integrating volunteerism in United Nations system programming relied largely on strong relationships between UNV and its United Nations partners. In 2014, 69 per cent of these partners reported that UN Volunteers and volunteerism had made an effective contribution to their programme delivery. UNV has pursued continuous dialogue

[1] A 2014 survey set a baseline of 69 per cent; the results of a 2016 survey will be reported in the next biennial report.

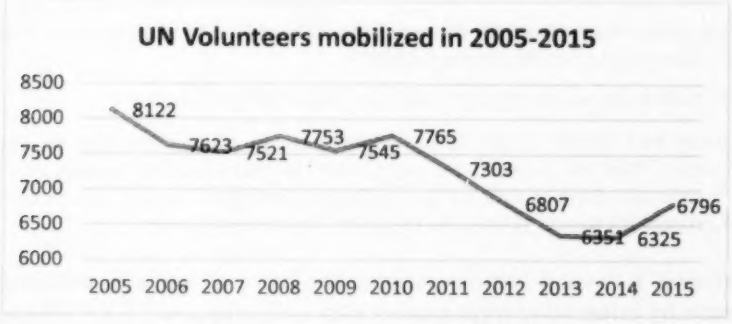
with United Nations partners at field and headquarters levels, as part of its drive to improve its impact within the United Nations system. The number of beneficiaries positively impacted by UNV reached 5.7 million, 96 per cent of the midterm target.

Output 1.1. Improved UN Volunteer mobilization by better forecasting of partner United Nations entity needs, and better delivery through responsive and innovative UN Volunteer solutions.

	Output performance	Indicator performance against midterm milestones	
1.1.1	UN Volunteers mobilized	85%	
1.1.2	UN Online Volunteers mobilized	69%	
1.1.3	United Nations entities with innovative, needs-driven programmatic agreements for the mobilization of UN Volunteers	67%	
1.1.4	UN Volunteer modalities and initiatives	100%	

UN Volunteer mobilization

10. Mobilization of UN Volunteers in support of the United Nations system's country-level activities was a key success for UNV during 2014-2015. For the first time since 2010, in 2015 there was an increase in the annual number of UN Volunteers mobilized, to 6,796.[2]



11. The average age of a UN Volunteer (in 2015) was 37 years, with 12 years of professional experience. The proportion of UN Volunteers under the age of 30 increased from 14 per cent in 2013 to 23 per cent in 2015, and 6 per cent were specifically contracted through the youth volunteer modality. The gender ratio of female UN Volunteers improved from 40 per cent in 2013 to 43 per cent in 2015. A notable change came in non-family duty stations, where the gender ratio increased from 30 to 37 per cent female in the same period. UNV has explicitly sought out and submitted highly qualified female candidates to United Nations partners for selection, particularly for peacekeeping missions, which have traditionally been male-dominated. Some 83 per cent of all UN Volunteers, and 58 per cent of all international UN Volunteers, are from the global South. The latter figure represents a major contribution by UNV to South-South cooperation, bringing people from the South together to find solutions to development challenges through exchange and transfer of skills, knowledge and good practices.

[2] Also see annex 1.

12. One of the most important trends for UNV during 2014-2015 has been the increased demand for national UN Volunteers, with their proportion increasing from 28 per cent in 2013 to 34 per cent in 2015. This contributed to heightened national ownership and enhanced capacities. UNV forecasts further growth in numbers and is repositioning the national volunteer modality to ensure that it continues to support national capacity development.

13. UN Volunteers were on the frontline of the emergency response efforts of United Nations partners in 2014-2015, including the outbreak of Ebola virus disease in West Africa, Typhoon Haiyan in the Philippines and the earthquake in Nepal. UN Volunteers fighting Ebola in Guinea, Liberia and Sierra Leone demonstrated the dedication of volunteers to deliver in very challenging environments. Over 70 UN Volunteers served with the United Nations Mission for Ebola Emergency Response, and UN Volunteers recruited by UNDP traced patients, built capacity on prevention measures and sensitization, and coordinated food distribution. With the World Food Programme (WFP), UN Volunteers played a crucial role in reaching over 600,000 affected people in Sierra Leone, and mobilized community and youth volunteers to fight the epidemic. In Guinea, UN Volunteers mobilized over 2,500 local youth volunteers in partnership with youth organizations to carry out sensitization campaigns.

14. The increase in the number of UN Volunteers in 2015 to 6,796 represents 85 per cent of the midterm target of 8,000, which was not achieved due to lower than anticipated demand from United Nations partners. UNV is primarily a service provider for United Nations partners and volunteer numbers changed as trends in official development assistance changed.

15. In response to this trend, UNV launching a UN Volunteer mobilization and management strategy in late 2015. The strategy outlines actions required to increase volunteer numbers, including enhancing the UNV field presence, developing enhanced partnership tools and improving marketing. UNV is engaging United Nations partners in examining how volunteers and volunteerism can support implementation of the 2030 Agenda, as well as how volunteers can better be leveraged in humanitarian response and recovery, through stand-by and rapid deployment capacities. UNV is developing new partner and marketing approaches to engage increasing numbers of young people as UN Youth Volunteers, enhancing their participation, professional development and employability. Recognizing the need to enable partner delivery, UNV continues to review and improve the volunteer solutions and modalities offered, which now comprise international, national, youth, university youth, short-term, expatriate and UN Online Volunteers.

UN Online Volunteer mobilization

16. The UNV Online Volunteer service continued to grow, with over 480,000 registered users from around 180 countries, and to provide volunteer opportunities and volunteer services over the Internet. The number of UN Online Volunteers increased from 11,328 in 2013 to 11,800 in 2015, with the number of assignments increasing to 19,000, providing tailored and flexible solutions to 28 United Nations partners and 1,700 non-governmental organizations. Of the total, 59 per cent were female and 60 per cent were youth. Nearly 40 per cent of UN Online Volunteers were otherwise professionally engaged in the private sector and leveraging their expertise and skills for peace and development in their own time.

17. A 2014 evaluation of the service highlighted how it is expanding online volunteerism globally and broadening volunteer opportunities, particularly for people with disabilities, women and volunteers from developing countries. In 2014-2015, 2 per cent of UN Online Volunteers mobilized were people with disabilities. The evaluation highlighted that UN Online Volunteers provided technical expertise

that civil society organizations lacked and contributed to the achievement of peace and development goals. Overall, 94 per cent satisfaction was noted with online collaboration among volunteers and organizations.

18. The 11,800 UN Online Volunteers represented 69 per cent of the midterm target of 16,700. With a new marketing strategy and business plan, UNV is expanding the service beyond traditional beneficiaries and is developing a pilot for leveraging partnerships with private sector companies, together with new technology-based solutions. This will position the service as a channel for corporate social responsibility and provide new resources to beneficiary development organizations.

Output 1.2. Volunteerism is integrated within the programming of United Nations entities through the implementation of joint UNV-United Nations partner programmes/projects in four priority areas: youth; peacebuilding; basic social services; and community resilience for environment and disaster risk reduction.

	Output performance	Indicator performance against midterm milestones	
1.2.1	UNV financial volume in joint UNV-United Nations partner programmes/projects	131%	
1.2.2	Other volunteers mobilized in joint UNV-United Nations partner programmes/projects across youth, peace, basic social services and community resilience for environment and disaster risk reduction	52%	
1.2.3	Joint UNV-United Nations partner programmes/projects that integrate gender equality and empowerment of women	110%	

19. UNV established global programmes to better leverage volunteers and volunteerism in achieving results for the Sustainable Development Goal priority areas of basic social services; community resilience for environment and disaster risk reduction; peacebuilding; and youth. The Special Voluntary Fund represents the UNV investment in these programmes and associated projects, and is crucial for new partnerships to deliver relevant innovative solutions.

20. Developing a new pipeline of joint United Nations programmes and projects at country level has enabled UNV to revitalize its engagement with United Nations programming processes. It has also shaped, in consultation with governments and civil society, the role that volunteers and volunteerism can play in tackling sustainable development challenges and providing solutions. To date, 50 project concept notes have been endorsed, with $5 million from the Special Voluntary Fund invested in joint projects strategically leveraging a significant 18-fold multiplier effect, by engaging a total financial envelope of nearly $90 million in commitments from partners. It is anticipated that as these projects are implemented, United Nations partners will better recognize the value of integrating volunteers and volunteerism, and scale up and replicate accordingly.

21. The Youth Global Programme is helping young people to overcome exclusion and reduce propensity towards youth radicalization, instilling a sense of empowerment and purpose. Youth volunteerism is building personal and professional skills towards better employability. The UNV youth volunteer modality is a key part of the programme, and after it was piloted by UNFPA and the United Nations Children's Fund (UNICEF) in 2014, the Food and Agriculture Organization of the United Nations (FAO), the Office of the United Nations High Commissioner for Human Rights, UNDP and WFP followed suit. In addition, 18 joint projects have been established across Africa, Asia, Latin America and the Caribbean and the Arab States. UNV partnered with the Government of Viet Nam and the United Nations to establish the Viet Nam Volunteer Centre (VVC). This project extended the VVC volunteer network that counts 300 volunteer clubs. The VVC supported initiatives including training

in design and formulation of project proposals, negotiation skills, resource mobilization, and promotion of the Sustainable Development Goals and strengthening the capacities of volunteer leaders.

22. The Basic Social Services Global Programme mobilizes volunteers for the delivery and improvement of basic social services at national and community levels. Through the programme, UNV has strengthened partnerships with UNDP, UNFPA, UNICEF, the United Nations Entity for Gender Equality and the Empowerment of Women and the Governments of India, Kenya, Pakistan and Uzbekistan, among others. UNV is working with the H4+ partnership and the Government of Kenya to achieve a sustained reduction in the country's historically high maternal mortality rate by building the capacities of health service providers in obstetric care, expanding access to services for pregnant mothers, training and supporting community health workers and care providers, and increasing accessibility of sexual and reproductive health information. With its unique ability to mobilize large numbers of community volunteers and link them to the United Nations system through UN Volunteers, UNV is providing a crucial mechanism to ensure that the interventions are inclusive (by intentionally mobilizing representatives of vulnerable populations) and impactful (by targeting community champions to bring about behaviour change).

23. The Peacebuilding Global Programme is supporting United Nations efforts to sustain peace by increasing civic participation, working in particular with women and young people as agents of peace. Interventions are building on the institutional experience acquired over 20 years of partnership with the Department of Peacekeeping Operations, developing innovative initiatives in partnership with the Peacebuilding Support Office, engaging the over 3,000 UN Volunteers deployed in fragile contexts, and expanding the mobilization of national UN Volunteers in support of social cohesion and peacebuilding initiatives. Strong interest from partners has led to joint projects in Burundi, Colombia, Democratic Republic of the Congo, Guinea, Honduras, Kenya, Mali and Kosovo,[3] as well as a number of regional projects. In Mali, UNV is engaging young volunteers in building peace, social cohesion, disarmament and human rights.

24. The Community Resilience for Environment and Disaster Risk Reduction Global Programme is promoting volunteerism to facilitate sustainable development using environmentally sound practices, including indigenous or local knowledge in environmental management and disaster risk reduction. UNV has strengthened partnerships with FAO, UNDP, UNICEF and the Governments of Bolivia, Guinea Bissau, Myanmar, Nepal, the Philippines, Rwanda and Sri Lanka, among others. As UNV had a framework in place, it was able to quickly mobilize an extensive response to the earthquake which devastated Nepal in April 2015. This included 84 national volunteer civil engineers and youth volunteers who managed earthquake debris and the demolition of dangerous structures under a joint project with UNDP and the Government of Nepal. The UN Volunteers also trained 200 community workers in building assessment. These workers in turn led teams of over a dozen workers each as part of the UNDP cash-for-work scheme, thus involving thousands of people in safe demolition.

25. Baseline analysis conducted in 2013 revealed that 57,372 'other volunteers' not directly contracted by UNV were mobilized as a result of joint UNV-United Nations programmes, a key criterion of success for the integration of volunteerism in projects and programmes. Although 40,519 'other volunteers' were mobilized in 2014 and

[3] All references to Kosovo in this report should be understood to be in the context of United Nations Security Council resolution 1244 (1999).

46,263 in 2015, i.e., 52 per cent of the midterm milestone targets, UNV is analysing the credibility and reliability of the data following a change in methodology in 2014, to ensure that the data collection process is accurate.

26. UNV is following through on its commitment to gender equality and promoting the role of women as a driving force for peace and development efforts. The percentage of all joint UNV-United Nations partner programmes and projects that specifically integrate gender equality and the empowerment of women increased from 44 per cent in 2013 to 88 per cent in 2015, exceeding the milestone target by 8 per cent. All global programmes include specific outputs and indicators for gender equality and women's empowerment, and 15 per cent of resources are dedicated for this purpose. Recently, UNV introduced the gender marker system to ensure gender-responsive planning and budgeting.

Output 1.3. The UN Volunteer assignment/experience is improved through effective support, including training and learning.

	Output performance	Indicator performance against midterm milestones	
1.3.1	UN Volunteers reporting a positive volunteer experience	98%	
1.3.2	Departing UN Volunteers reporting that the assignment and learning opportunities provided are valuable for personal and professional development	99%	

27. In 2015, 92 per cent of all UN Volunteers reported a positive volunteer experience, demonstrating excellent performance close to the midterm target of 94 per cent. The 10 per cent decrease in the rate of resignation in hardship duty stations can be attributed to improved well-being of UN Volunteers. The percentage of departing UN Volunteers who reported that volunteer assignment and learning opportunities were valuable for their personal and professional development remained high at 95 per cent, representing 99 per cent performance against the midterm target.

28. These successes are partly attributable to the UN Volunteer learning strategy that was launched to strengthen capacity development and learning throughout the assignment. As part of this strategy, the Capacity Development and Learning Facility provided needs-based training to over 1,000 UN Volunteers during 2014-2015.

29. In 2015, UNV launched revised conditions of service for international United Nations Volunteers, the outcome of an exhaustive review process and extensive consultation with United Nations partners, volunteer-involving organizations and UN Volunteers. The new conditions of service better suit the changing needs of United Nations partners and UN Volunteers, while retaining UNV as an attractive modality. They have eased administration through streamlining volunteer management procedures globally, and introduced a new code of conduct. The updated benefits and entitlements also respond better to the needs of UN Volunteers in complex locations, with a new 'well-being differential' recognizing the added health, security, climate and psychological burdens of non-family duty stations.

B. Outcome 2. Countries more effectively integrate volunteerism within national frameworks, enabling better engagement of people in development processes.

	Outcome performance	Indicator performance against midterm milestones	
2.1	Average national volunteering rates	Not available[4]	
2.2	Number of countries with progress in implementing national volunteerism frameworks	103%	

30. Over 2014-2015, UNV worked with countries to increase the integration of volunteerism into national frameworks, as a means to mobilize and engage people in achieving peace and development results. The UNV convening role and partnerships with national and international volunteer-involving organizations were crucial to position volunteerism in the new development agenda. At the intergovernmental level, UNV ensured the inclusion of volunteer groups in the Sustainable Development Goals outcome document.[5] This inclusion enables integration of volunteer groups into national-level framework consultations.

31. An important achievement of UNV in 2014-2015 has been delivering on its role as a capacity development agent, with a strong South-South and triangular cooperation focus. UNV has strengthened partnerships with regional organizations, including the Economic Community of West African States (ECOWAS) and the African Union Commission, to develop joint projects which mobilize South-South volunteers. With 83 per cent of UN Volunteers from countries of the global South, UNV is one of the largest expressions of South-South cooperation within the United Nations system. UNV further deepened its South-South engagement by co-hosting in 2015 the International Volunteer Service Exchange Conference with the Beijing Volunteer Service Federation in China, with over 18 Member States participating. Subsequently, a new platform was created for South-South knowledge-sharing and information exchange on volunteerism among middle-income countries. The conference resulted in an agreement to deploy joint humanitarian response teams of volunteers from the South in the South. Furthermore, UNV created triangular and South-South cooperation with China and Hong Kong Special Administrative Region (SAR) of China through their funding of fully-funded UN Volunteers to be deployed in the global South.

Output 2.1. Knowledge based on the value/contribution of volunteerism to peace and development results is expanded.

	Output performance	Indicator performance against midterm milestones	
2.1.1	'State of the World's Volunteerism' reports published	100%	
2.1.2	UNV-supported studies on volunteerism in peace and development	123%	

32. In 2015, UNV produced a second 'State of the World's Volunteerism' report, this time delivering a unique focus on 'transforming governance', a global review of the

[4] Outcome indicator 2.1 had methodology challenges, as further outlined in annex 3.
[5] A/70/L.1.

role of volunteerism in improving the way citizens are governed and engaged. The report was launched in New York, Nairobi, New Delhi, Bahrain, Tokyo and Panama City. It provides evidence from around the world on how formal and informal volunteers engage with governance actors to strengthen participation, accountability and responsiveness to contribute to peace and development efforts. The report contributed to the positioning of UNV and provided UNV with an advocacy and partnership-building tool.

33. UNV enhanced and deepened engagement with academia, research institutions, civil society and volunteerism experts and researchers. UNV coordinated events in Washington, D.C. and Nairobi in 2014-2015, bringing together around 80 stakeholders to explore how to measure volunteerism within the context of the Sustainable Development Goals. The events fed into the workshop, 'Strategic Directions for Global Research on Volunteering for Sustainable Development 2015-2030', attended by some 70 stakeholders in Bonn. These engagements promote a global volunteerism research agenda, which includes: (a) publication of further 'State of the World's Volunteerism' reports; (b) jointly addressing the evidence-based research gaps on volunteerism's critical role in peace, development and the sustainable development framework; and (c) substantiating advocacy for relevant policy reforms and long-term development impact.

34. UNV contributed to 16 studies on volunteerism, including country-specific research in partnership with volunteer-involving organizations, academia, governments and the private sector. In Peru, UNV supported a workshop on 'Participatory Methodology for Assessing the Contribution of Volunteering to Development', which is known as the 'V-methodology' (pioneered by UNV). This workshop and subsequent research produced evidence of the contribution of volunteering infrastructure to development and helped to strengthen regional networks. In Sri Lanka, the V-methodology workshop on youth volunteerism contributed to the larger research and advocacy agenda as part of the World Youth Conference 2014.

Output 2.2. Increased capacities of countries (governments, civil society and volunteer-involving organizations) to foster volunteer engagement at the national and global levels.

	Output performance	Indicator performance against midterm milestones	
2.2.1	General Assembly resolutions that reference the value/contribution of volunteerism	150%	●
2.2.2	Volunteer-involving organizations partnering with UNV	99%	●

35. UNV support was instrumental for convening and facilitating the engagement of international and national volunteer-involving organizations in the post-2015 development process, including national dialogues and key United Nations consultations on the 2030 Agenda. UNV played a significant role in integrating volunteerism in over 30 country reports on post-2015 national consultations. At the global level, with the support of UNV, the Post-2015 Volunteering Group positioned volunteerism in the new development agenda.

36. The plan of action to integrate volunteering into peace and development policies and programmes for the next decade and beyond, approved by the General Assembly in resolution 70/129 of 17 December 2015, was a significant intergovernmental agreement for volunteerism and development. The plan of action was developed by UNV in consultation with a wide range of stakeholders. It sets out the global actions

to be taken for integrating volunteering in peace and development from 2016 to 2025 (see chapter IV).

37. UNV actively sought stronger collaboration with the private sector to engage in corporate volunteering. Combining capacities, innovation skills and technological know-how from the business community with volunteerism will accelerate and improve the delivery of the United Nations system for the 2030 Agenda. On International Volunteer Day 2014, UNV joined in announcing a new collaboration with the private sector, called IMPACT 2030. This is a global coalition of private sector leaders and other stakeholders interested in expanding corporate and employee volunteering activities, in support of the achievement of the Sustainable Development Goals. UNV is already engaging the private sector with its online volunteering service, and will expand partnerships further in 2016-2017 to leverage its unique position between the 'supply' of experienced, technically adept expertise (private sector corporate volunteers) and the 'demand' for innovative solutions to development challenges (from the United Nations system for projects in programme countries).

Output 2.3. Volunteering schemes established or strengthened at the national and regional level.

Output performance		Indicator performance against midterm milestones	
2.3.1	National/regional volunteering schemes, supported by UNV	67%	
2.3.2	Volunteers mobilized through national/regional volunteering schemes, supported by UNV	27%	

38. A 2014 evaluation demonstrated that UNV successfully supported volunteer infrastructures in Member States, particularly through developing and enhancing national volunteer schemes, networks of volunteers, coordinating bodies and the capacity of volunteers. Subsequently, a Volunteer Infrastructure Global Programme was launched at the end of 2015, which extends assistance to the initiation and strengthening of national and subnational volunteer schemes. UNV supported 12 national and regional volunteer infrastructure schemes in 2015, meeting 67 per cent of the midterm target and setting this up as a major growth areas for 2016-2017.

39. The technical and operational support provided by UNV to the ECOWAS Volunteer Programme is an apt example of its volunteer infrastructure work. By the end of 2015, 76 youth volunteers aged 18-35 years from 11 ECOWAS Member States were deployed in Guinea and Sierra Leone to serve as volunteer secondary-school teachers, nurses, midwives, physicians and youth mobilization specialists. An independent evaluation indicated that the programme has contributed to decreasing teen pregnancies, improved spacing of births, decreasing maternal mortality rates, improving national examination success rates and significantly bolstering national capacity-building. This project enabled countries in the region to meet basic social service needs and also helped to limit the negative consequences of conflict and economic deprivation by fostering dialogue and cooperation in the region.

40. Volunteer infrastructure projects that intersected with youth volunteerism were also implemented by UNV in 2014-2015. In Togo, 5,000 volunteers funded by the Government were placed with civil society and government organizations in rural areas, creating greater social cohesion, improving social service provision to marginalized groups and enhancing the employability of recently graduated youth. In Sri Lanka, youth volunteering contributed significantly to peace and development while enabling youth to become active leaders and citizens and providing professional skills. The Sri Lankan 'V-Awards' celebrated and honoured volunteers who make

extraordinary contributions to society and inspired others to volunteer. The Volunteer Task Force (V-Force), a UNV initiative that brings together everyone who has a passion for volunteering in Sri Lanka, reached the milestone of 5,000 people registered and 1,000 mobilized.

C. Institutional effectiveness: UNV is a more effective and efficient organization, with improved systems and business practices and processes, well-managed resources and engaged personnel.

41. UNV operationalized its institutional effectiveness across seven pillars, within which indicator baselines and targets were established and delivered upon (see annex 3). This section presents results across four major areas of focus in UNV institutional effectiveness during 2014-2015.

Strategic reorientation, internal alignment and strengthened results-based management

42. The launch of the Strategic Framework, 2014-2017 represented the first step in an evolution in UNV strategic thinking, results and orientation. In order to implement and operationalize the Strategic Framework and Integrated Results and Resources Matrix, comprehensive substrategies and policies were developed, consulted upon and launched in 2014 and 2015. Programmatically, this comprised 11 projects, programmes and/or strategies, including the UN volunteer mobilization and management strategy, five global programmes and the UN Volunteer learning strategy. Institutionally, this comprised an additional seven strategic documents, including strategies for an integrated budget, human resources, communications, partnerships and information and communications technology (ICT). UNV adopted a new corporate planning process similar to that of UNDP, culminating in organizational annual business plans for 2014 and 2015. This led to a harmonized alignment of long-term organizational strategic goals to individual annual performance measures.

43. This process of strategic reorientation will be a major time and human resource investment for the years ahead, beyond the current Strategic Framework period. To date, it has enabled more focused and better planning, monitoring and results reporting, and led to the realization that UNV internal governance and decision-making processes required alignment, adjustment and/or streamlining, a change process initiated in 2014 and implemented in 2015. This aligned the internal management structures more coherently to the results structure of the organization. Change management processes were also undertaken during 2014-2015 for the Volunteer Knowledge and Innovation Section, Partnerships Section, Results Management Support Section and Programme Coordination Section, accompanied by deployment of new regional offices and field unit consolidation and strengthening, all of which demonstrated internal adjustment to emerging organizational priorities.

44. Underpinning much of above, UNV embarked upon a results-based management strengthening exercise, supported by the Government of Germany. In 2015, a comprehensive assessment of UNV results-based management was undertaken. Accordingly, the percentage of UNV projects and programmes fully complying with standard UNDP monitoring procedures increased to 60 per cent by 2015, up from 21 per cent in 2013, and the implementation rate of UNV evaluation management responses improved. Corporate evaluations undertaken during 2014-2015 covered online volunteering, volunteer infrastructure and UNV engagement in the post-2015 process. In the last two years of the Strategic Framework period, UNV will conduct further evaluations and strategic reviews to inform the development of the next Strategic Framework, 2018-2021.

Enhanced partnerships and communications

45. During 2014-2015, UNV redirected strategically towards partnerships with Member States, United Nations partners, the corporate sector, civil society and foundations. In 2014, it undertook a partnership survey to inform the first-ever partnership strategy for UNV. In October 2014, it convened its first Partnership Forum under the theme 'Innovation in Volunteer Action', bringing together over 100 partners to discuss new projects and services under the Strategic Framework. In 2013, resource mobilization targets were met, and in 2014 targets were missed by 10 per cent. However, for 2015, due to a general negative donor environment, exchange rate fluctuations and reprioritization of several major funding partners, the target was missed by $10.3 million (42 per cent). In 2016, UNV is conducting a second survey and Partnership Forum to continue efforts to broaden its donor base, especially targeting emerging and non-traditional partners.

46. Full funding of UN Volunteer assignments by development partners, especially governments, is a major source of programmatic funds for UNV. During the biennium, UNV had full-funding partnerships with the Governments of Belgium, Brazil, Czech Republic, Denmark, Finland, France, Germany, Ireland, Italy, Japan, Luxembourg, Norway, Republic of Korea, Spain, Sweden, Switzerland and Hong Kong SAR. Contributions to the Full Funding Programme amounted to $10.6 million in 2014 and $8.2 million in 2015. The number of fully-funded UN Volunteer assignments remained relatively stable at almost 500 per annum. An independent review by the Government of Switzerland in 2014 demonstrated that two years after their assignments, more than 30 per cent of former UN Volunteers were working within the United Nations system. UNV has specifically built new full-funding partnerships, for example creating triangular and South-South cooperation with China and Hong Kong SAR. Building on the successful implementation of the fully-funded United Nations University volunteer scheme with long-standing partners like the Governments of Japan and Spain, new partnerships have been established with the Governments of the Republic of Korea and Hong Kong SAR.

47. Contributions to the Special Voluntary Fund, critical for continued innovation in integrating volunteers and volunteering with United Nations partners through seed funding, and for the production of norm-setting knowledge products, declined by 11 per cent in the 2014-2015 biennium. UNV has Special Voluntary Fund partnerships with the Governments of Bahrain, Bangladesh, Bhutan, Czech Republic, China, Germany, India, Ireland, Israel, Lao People's Democratic Republic, Morocco, Switzerland, Sweden and Thailand. Additional strategic partnerships also delivered important resources beyond the Special Voluntary Fund, which allowed UNV to innovate and take proven innovations to scale. Highlights of such initiatives include: the Beijing Volunteer Service Federation's support for the International Volunteer Service Exchange Conference; the Government of Germany's support to a joint youth programme in Mali and online volunteering; and the Government of Japan's partnership on human resource development for peacebuilding and support provided to UNV through the Fifth Tokyo International Conference on African Development for work with the African Union on youth initiatives.

48. Through its strategic communication initiatives at headquarters, regional and field levels, UNV targeted an increasing number of stakeholders to further position UNV and volunteerism. UNV social media channel and website 'hits' exceeded Strategic Framework targets, reaching over 4 million followers. Conventional media coverage, including television/print interviews and web articles, also increased due to strategic investments in communications and partnerships around the launch of the 'State of the World's Volunteerism' report 2015, the new UNV brand and International Volunteer Day, which was observed by and in cooperation with UNV in over 80 countries around the world in 2014 and 2015. In 2015, 112,000 volunteers shared their stories on the website volunteeractioncounts.org.

Better UN Volunteer management processes, policies and systems

49. The proportion of UN Volunteer candidates (excluding fully-funded volunteers) accepted by United Nations partners at first submission increased, meeting the Strategic Framework target. The average time for UNV to deploy a UN Volunteer upon confirmation from the partner decreased from 50 to 48 days, a marginal 4 per cent improvement. The efficiency and effectiveness of volunteer management processes is being improved by a comprehensive overhaul of the deployment 'cycle'; specifically in 2015, new standard operating procedures for deploying national UN Volunteers have leveraged efficiencies. UNV is investing in ICT tools which will reduce processing time and enhance transparency and accountability, while generating greater efficiency through decentralized functionality.

Improved human resources and operations

50. In 2015, UNV launched a new human resources strategy that redefined the term, 'UNV personnel' to mean both UNV staff and UN Volunteers serving in UNV field units and regional offices, working towards UNV-specific results. In line with this redefinition, UNV is changing to provide the same opportunities and support to all UNV personnel. A key strategic shift articulated in the strategy is transforming UNV from a headquarters-based to a global organization with enhanced presence at regional and country levels. A major step for UNV in 2014-2015 was the establishment of four regional offices – in Nairobi, Dakar, Panama City and Bangkok – to strengthen its capacity at the regional level and provide UNV field units with business intelligence, programme advisory and partnership capacities. As a result, just over half of UNV personnel are now located at the country level. The regional offices play a crucial role in bringing capacity closer to United Nations partners and supporting field units in programming and partnership-building. In addition, UNV is now implementing an enhanced field presence plan which will consolidate and strengthen its field capacity based upon needs and potential at country level.

51. Gender balance across UNV personnel remains a priority; 60 per cent of personnel are female, and female representation at senior management level (P5 and above) increased significantly to 54 per cent, up from 38 per cent in 2013. Operationally, UNV has delivered better effectiveness and efficiencies. UNV approved an ICT investment plan that enhances functionality for the network of field units and strengthens internal management processes.

III. Financial analysis and results[6]

Strategic objectives and budget assumptions

52. In delivering results under the Strategic Framework, UNV created a budget strategy for 2014-2017, with the specific objectives of ensuring that:

(a) resources are focused on investments, to realize Strategic Framework goals;
(b) financial sustainability is reached, in an environment of declining regular resources;
(c) the organization becomes more responsive to financial challenges, with improved oversight and management of financial risks.

53. To deliver this, the budget strategy made several assumptions on the sources and levels of UNV income: (a) regular resources provided by Member States to UNV through UNDP were expected to retrench in 2013-2015, but stabilize in 2016 to a net

[6] Also refer to annex 2.

budget value of $10.7 million; (b) income received from volunteer mobilization and management would grow at 12 per cent per year; and (c) resource mobilization for projects and programmes would increase to $24.3 million per annum in 2015.

Financial performance and sustainability initiatives

54. In 2014-2015, UNV adopted an investment stance to promote innovation, new functionality, new products and decentralization. UNV also introduced an integrated budget (following Executive Board decision 2013/28) and improved cost recovery for the services it provides. Specifically, it undertook a major analysis of the costs of mobilizing and managing UN Volunteers, and is presently working with United Nations partners to review the implications. Notwithstanding these initiatives, net regular resources declined to less than $10 million per annum, 8 per cent less than planned. Regular resources now constitute only one third of the UNV operating budget, down from 47 per cent in 2013. In deploying its regular resources, UNV maintained the minimum field presence of 60 field units (in accordance with previous decisions of the Executive Board/UNDP Governing Council), since this is essential for UNV to mobilize and manage UN Volunteers in support of United Nations partner activities on the ground. Additionally, key headquarters management positions necessary for UNV to manage its corporate accountability framework and provide essential corporate support services are funded by regular resources. In short, regular resources are critical for maintaining a minimum operational base for UNV to deliver on its core mandate.

55. Although 2015 saw an increase in volunteer numbers, the midterm growth target was not reached. Net resource mobilization reached $14 million in 2015, missing the target by 42 per cent. UNV addressed this overall reduced income by decreasing formal management costs by 43 per cent, primarily through appropriate charging to development effectiveness, and to a lesser extent by reducing staff at headquarters and outsourcing functionality to regional offices and field units. UNV has been utilizing its extrabudgetary reserve to continue to invest for future returns and has been leveraging its Special Voluntary Fund resources to design new products and service lines and drive efficiencies. UNV intends to emerge from this downward financial cycle a much leaner and more focused organization, with renewed efforts to tap into new non-traditional resource mobilization opportunities and a reinvigorated product line to service the needs of the United Nations system in implementing the 2030 Agenda.

IV. Midterm reflections: challenges, opportunities and looking forward

Implementing the plan of action on volunteerism approved by the General Assembly is a major opportunity for building transformational partnerships to deliver solutions.

56. The 2030 Agenda recognizes the importance of volunteers and volunteerism for implementation of the Sustainable Development Goals. In order to stimulate further thinking and discussion, UNV has developed a paper (see annex 4) on volunteerism in the 2030 Agenda, which outlines how volunteering can provide solutions to the challenges of the Sustainable Development Goals. The development of the paper was guided by the plan of action to integrate volunteering into peace and development policies and programmes for the next decade and beyond, 2016-2030, approved by the General Assembly in resolution 70/129. This plan of action represents a major opportunity for UNV. Its three strategic objectives are to: (a) strengthen people's ownership of the development agenda through broadening civic engagement; (b) integrate volunteerism into national and global implementation strategies for the Sustainable Development Goals; and (c) measure volunteerism. Strong commitment and

partnerships among governments, academia, the United Nations system, civil society, volunteer-involving organizations and private sector are crucial for successful implementation of the plan.

57. In the resolution, the Assembly called upon Member States, United Nations agencies, the private sector and other stakeholders to support and resource the plan, with UNV coordinating its implementation. UNV is well positioned to leverage the plan of action to enhance multi-stakeholder collaboration by engaging people at the local, national and global levels and from across sectors. To this end, UNV recommends a consultative mechanism for Member States as an opportune forum to ensure that such efforts by multi-stakeholder are leveraged to engage people as volunteers in implementing and monitoring the Sustainable Development Goals. UNV is seeking the Executive Board's agreement to establish such a mechanism, based upon regional representation. This would be an efficient and effective mechanism for regular consultation, providing guidance and oversight on implementation.

The strategic adjustments in UNV continue to reorient it within an evolving development landscape towards being a partner- and innovation-focused organization, poised to deliver greater results and returns in 2016-2017.

58. During the development of the Strategic Framework 2014-2017, UNV recognized the need for an organizational evolution. However, implementation has led to a strategic transformation of UNV. The level of reorientation for UNV has meant that a major focus in the first two years of the Strategic Framework period was on investing for the future. The organization invested in developing the necessary strategic foundation, including nearly 20 new strategies, streamlining processes and building internal capacities focused on the country level and towards partners, results and innovation. UNV has and will continue to enhance its innovations and strategic investments, externally through partnerships with the United Nations system and corporate sector and through South-South cooperation, and internally by bolstering field presence, enhancing partner capacities, improving efficiency and effectiveness, and rolling out ambitious results-based management investments. With 'green shoots' being seen in the 2014-2015 results, it is anticipated that UNV will see continued positive and accelerated trends in the next biennium.

UNV will maintain an ambitious outlook, especially as regards UN Volunteer mobilization and resource mobilization, both vital to the development impact and financial sustainability of UNV in the long term.

59. Notwithstanding the midterm achievements and results, a number of areas of improvement remain for UNV. Among them are learning from the 6 of 17 programme performance indicator targets which were below expectations at midterm. Two critical indicator targets by end-2017 are: (a) 10,000 UN Volunteers mobilized per annum; and (b) $50 million in resource mobilization per annum. The organizational response to accelerate performance in these areas has been elaborated; it is important to note that given the midterm performance of each indicator, it is unlikely UNV will fully reach these two key targets. Rather than adjust the targets downwards at midterm, UNV will maintain and make concerted efforts towards these targets as they are vital to both the development impact and financial sustainability of UNV in the long term.

Implementing the Strategic Framework has been a learning process in strengthening UNV results-based management.

60. With the new Strategic Framework and Integrated Results and Resources Matrix, UNV has had to implement a step change in terms of results-based management, particularly in generating data and capturing results. UNV has steadfastly begun putting in place the systems and tools to enable programmes, projects and core functions to deliver coherently,

efficiently and effectively. The biggest challenge is to ensure that UNV is able to capture its impact in development result terms, which is a key focus of the results-based management project, as well as the result frameworks of the global programmes. Progress on this crucial shift will be better elaborated in the next Strategic Framework.

61. The focus on results has come with a strong reliance upon data, bringing to the surface numerous issues regarding data methodology. This has entailed organizational learning, and the midterm adjustments are detailed in annex 3. UNV aspires towards timely and accurate data to feed into a learning process for improved implementation. This is the first review after starting to use the Integrated Results and Resources Matrix and management by results, and it requires improvements to ensure that it fully represents the change UNV delivers and seeks to achieve.

The strategic transformation of UNV will continue as UNV develops the next Strategic Framework, 2018-2021.

62. UNV is one of the original common services to the United Nations system, providing highly motivated and skilled global citizens with an opportunity to volunteer within the United Nations system. As the United Nations development system adapts its business models to the 2030 Agenda, UNV will continue to evolve strategically. It is adapting its business lines and services to ensure that viable volunteer solutions are provided to the United Nations system and the world. Volunteers and volunteerism are uniquely placed to impact localization of the Sustainable Development Goals with community-level mobilization.

63. The UNV strategic transformation already underway, coupled with further alignment to the demands of the 2030 Agenda and supported by continued learning through evaluations and reviews, will provide critical inputs for the development of the next UNV Strategic Framework, 2018-2021.

United Nations DP/2016/16

Executive Board of the United Nations Development Programme, the United Nations Population Fund and the United Nations Office for Project Services

Distr.: General
28 March 2016

Original: English

Annual session 2016
6-10 June 2016, New York
Item 14 of the provisional agenda
Internal audit and oversight

UNDP: Report on internal audit and investigations

Summary

The present report provides information on the activities of the Office of Audit and Investigations (OAI) for the year ended 31 December 2015. As requested by the Executive Board in its decision 2015/13, this report includes: (a) an opinion, based on the scope of work undertaken, on the adequacy and effectiveness of the organization's framework of governance, risk management and control; (b) a concise summary of work and the criteria that support the opinion; (c) a statement of conformance with the internal audit standards being adhered to; and (d) a view on whether the resourcing of the function is appropriate, sufficient and effectively deployed to achieve the desired internal audit coverage. In the same decision, the Board also asked for: (a) timely information on any challenges in discharging oversight responsibilities; (b) review of recruitment procedures; and (c) presentation of the organizational risk assessment. In addition, this report addresses requests made by the Board in previous decisions, such as the financial losses identified by investigations as well as the manner and amount of recovery (decision 2014/21), the titles of all internal audit reports issued during the year and ratings received (decision 2013/24), significant issues related to the public disclosure of internal audit reports (decision 2012/18), lessons learned from joint audits and cases of fraud and action taken in cases of misconduct (decision 2011/22) and requests from any non-Member State for disclosure of reports pre-2012 (decision 2011/23). The management response to this report is presented separately (decision 2006/13) and the annual report of the Audit Advisory Committee is appended to this report (per DP/2008/16/Rev.1).

Elements of a decision

The Executive Board may wish to: (a) take note of the present report; (b) express its continuing support for strengthening the internal audit and investigation functions of UNDP; and (c) take note of the annual report of the Audit Advisory Committee.

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Annual report of the Audit Advisory Committee for the calendar year 2015

Introduction

1. The UNDP Office of Audit and Investigations (OAI) submits to the Executive Board its annual report on internal audit and investigation activities for the year ended 31 December 2015. The report also contains information in response to decisions of the Executive Board as noted herein.

I. Assurance in UNDP

Mandate of the Office of Audit and Investigations

2. OAI aims to provide UNDP with an effective system of independent and objective internal oversight designed to improve the effectiveness and efficiency of UNDP operations in achieving its developmental goals and objectives. The purpose, authority and responsibility of OAI are defined in the charter approved by the Administrator.

3. The international internal auditing standards require that the chief audit executive must report to a level within the organization that allows the internal audit activity to fulfil its responsibilities and must confirm to the Executive Board, at least annually, the organizational independence of the internal audit activity. OAI hereby confirms its organizational independence. In 2015, OAI was free from interference in determining its audit scope, performing its work and communicating its results.

4. OAI has an effective quality assurance and improvement programme that covers both internal audit and investigation functions. Post-audit client surveys undertaken in 2015 showed that clients were satisfied with the conduct of audits. Periodic external quality assurance reviews are done every five years. The second external review for investigations finalized in 2015 resulted in an overall opinion that OAI fully adhered to its underlying policies, principles and guidelines and that it conducted its investigative work in a professional and proficient manner. The second external review for internal audit done in 2012 confirmed the continued general conformance of OAI with the international standards for the professional practice of internal auditing. The third external review for internal audit is due to take place in 2017. In the meantime, the internal review done in 2014-2015 showed substantial and continuous improvements since the last external review.

5. OAI continued to receive strong support from UNDP senior management. The OAI Director participated in meetings of the expanded Organizational Performance Group (with other oversight office heads), which enabled him to discuss long-outstanding recommendations and other audit-related matters of corporate significance with potential risk to UNDP. OAI continued to hold regular meetings with central and regional bureaux to discuss key and recurring audit and investigation issues.

6. The Audit Advisory Committee, as one of the UNDP external independent oversight bodies, continued to provide advice to the Administrator to promote the effectiveness of UNDP internal audit and investigation functions. In 2015, the Committee reviewed the OAI 2015 annual workplan and its implementation through quarterly progress reports. The Committee reviewed OAI audit and investigation activities in the 2014 annual report presented by OAI to the Executive Board in 2015. During all of its periodic meetings in 2015, the Committee held private sessions with the Director of OAI, in accordance with the Committee's terms of reference.

Coordination with external auditors

7. UNDP external auditors (United Nations Board of Auditors) continued to rely on OAI audits as well as OAI quality assurance review processes for third-party audits[1] of projects implemented by non-governmental organizations and national governments (known as NGO/NIM projects).

[1] In this context, "third-party audits" refer to audits that are neither conducted by OAI nor on behalf of OAI. The audits of NGO/NIM projects are conducted by supreme audit institutions or audit firms engaged and managed by UNDP country offices.

Basis for providing independent assurance to the Administrator

8. For purposes of providing assurance on governance, risk management and control, the annual workplan of OAI for 2015 covered an appropriate mix of business units, functions and activities at the headquarters, regional and country levels, directly implemented (DIM) projects, and grants from the Global Fund to Fight AIDS, Tuberculosis and Malaria (Global Fund). Upon endorsement of the Audit Advisory Committee, the Administrator approved the 2015 annual workplan. During 2015, there were no challenges encountered in discharging oversight responsibilities that necessitated timely information to the Executive Board, per decision 2015/13.

Organizational risk assessment for annual work planning (decision 2015/13)

9. OAI formulated the 2015 audit plan after conducting a risk assessment of its auditable areas in UNDP as a whole. The office undertook the planning process in a participative manner, holding a series of discussions with senior management and heads of concerned bureaux. It also consulted the United Nations Board of Auditors to ensure proper audit coverage of UNDP and to minimize duplication of efforts in providing assurance to the Administrator and the Executive Board.

10. OAI has been using a risk assessment methodology since 2006, annually refining and expanding it to cover the varied components of its audit universe. Separate risk assessment models were used to identify audits for country offices, DIM projects, Global Fund programmes/projects, headquarters and regional business units. In late 2015, OAI further developed an aggregate risk model covering all the components of the audit universe for purposes of preparing the 2016 workplan.

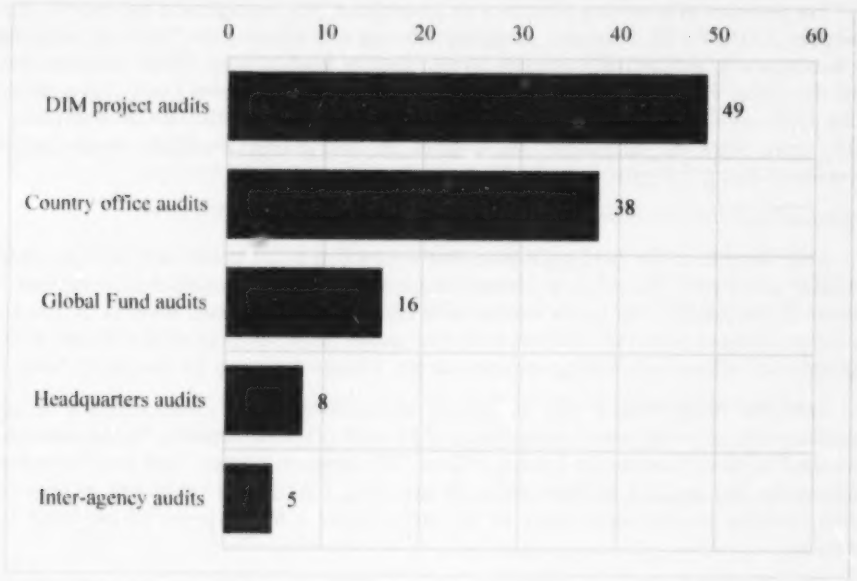
11. The OAI risk assessment methodology covered the whole risk assessment process from risk identification to risk measurement, risk prioritization and risk ranking. The risk indicators used were both quantitative and qualitative, and were classified as to whether they were strategic, contextual, political, operational or financial, in line with the UNDP enterprise risk management categories of risks. The final OAI risk ranking determines the frequency of audits, but may be adjusted after consultations with management. Generally, those entities ranked 'very high risk' were being audited every two years, those ranked 'high risk' every three years, 'medium risk' every four years and 'low risk' every five to six years.

Audit reports issued

12. In 2015, OAI issued 116 audit reports: 8 headquarters audits; 38 country office audits; 16 Global Fund grant audits (including two consolidated reports); 49 DIM project audits; and 5 inter-agency audits (see figure 1). In accordance with decision 2013/24, annex 2 presents the titles of all internal audit reports issued in 2015 and their ratings.

13. Considering that most of the audit reports issued in 2015 covered activities of UNDP offices during 2014, the audit results generally reflected the status of programmes and operations in 2014. The 103 audits at the country level covered about $2.5 billion (53 per cent) of approximately $4.7 billion of UNDP 2014 field-level expenditures. An additional $1.92 billion in expenditures were covered by third-party audits of NGO/NIM projects.

Figure 1. Number and type of audit reports issued in 2015

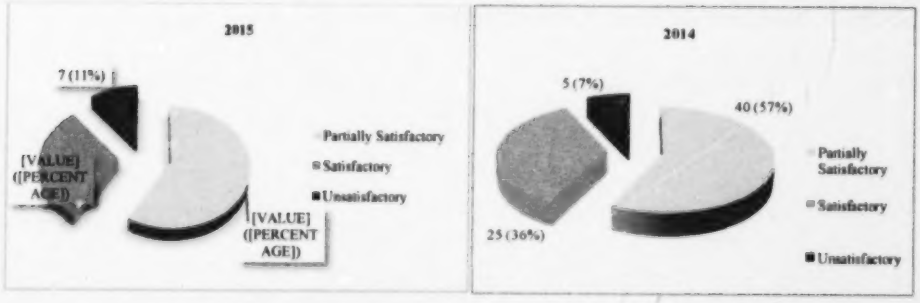


Audit ratings

14. Based on audit results, OAI assigns an audit rating for the majority of its reports that reflects the adequacy and effectiveness of the governance, risk management and control processes at the audited entity level. Exceptions include follow-up audits, solely financial audits of DIM projects performed by audit firms on behalf of OAI, consolidated reports on several audits and other audits with restricted scope and objectives.

15. Of the 116 reports, 51 did not contain an overall rating. Of the remaining 65 reports, 20 reports (31 per cent) had a 'satisfactory' rating; 38 reports (58 per cent) had a 'partially satisfactory' rating; and 7 reports (11 per cent) an 'unsatisfactory' rating (see figure 2). The comparison of the distribution of audit ratings in 2015 to that in 2014 shows a slight decrease of 'satisfactory' ratings (by 5 per cent) and a slight increase in 'partially satisfactory' and 'unsatisfactory' ratings (by 1 and 4 per cent, respectively). The reports with an 'unsatisfactory' rating pertained to five country office audits and two DIM audits.

Figure 2. Comparison of audit ratings (2015 versus 2014)



16. For DIM projects, there are two types of audits: (a) a financial audit encompassing statements of project expenditure, fixed assets and cash; and (b) a combined financial audit and an

audit of internal control systems. The audits that are solely financial and are performed by audit firms result in an audit opinion on expenditure, assets and, as applicable, the cash at hand, but are not in the form of the OAI-defined audit rating. Of the 49 DIM audits undertaken in 2015, 45 were solely financial audits for which the audit firms issued 34 unqualified and 11 qualified opinions on the statements of project expenditures. The net financial impact for the projects with qualified opinions and disclaimers of opinion was $1.8 million (0.1 per cent of the total audited expenditure). The 32 audits for statements of fixed assets resulted in 27 unqualified, 4 qualified and 1 adverse opinion. The net financial impact of those other-than-unqualified opinions was $346,000.

II. Disclosure of internal audit reports

17. As per Executive Board decision 2012/8, UNDP makes public all OAI audit reports from 2012 onward, while ensuring that the integrity and quality of information disclosed is maintained through the due diligence and quality assurance processes of OAI. OAI also continues to share final reports with Member States when they contain findings related to them, giving them three weeks to review and provide comments regarding the need to protect sensitive issues, thereby respecting the need to protect information contained in audits prior to their publication.

18. In 2015, UNDP publicly disclosed 116 internal audit reports, of which 11 were partially redacted because they contained sensitive information. There were 4,844 visits to the disclosure webpage (http://audit-public-disclosure.undp.org/), a 30 per cent increase from 2014.

19. Apart from publicly disclosed reports, in 2015 OAI received a request from the Government of the Netherlands to access 13 reports issued prior to 2012 (three issued in 2009, two issued in 2010 and eight issued in 2011). In accordance with Executive Board decision 2011/23, OAI hereby informs the Board that no other request was received in 2015 from a non-Member State, donor intergovernmental organization or the Global Fund about access to audit reports prior to 2012.

III. Staffing and budget

20. As of 31 December 2015, OAI had a total of 81 approved posts compared to 80 approved posts in 2014. However, one post was frozen until further notice; therefore, OAI had 80 active posts in 2015.

Recruitment process (decision 2015/13)

21. Of the 80 active posts, 77 posts were encumbered and three were vacant. On a quarterly basis in 2015, OAI monitored its vacancy rate and the average number of months posts had been vacant. Against a self-defined acceptable level of a 7 per cent vacancy rate, OAI achieved a better overall vacancy rate of 4 per cent. Against a target of six months for a post to remain vacant, OAI achieved a better average of five months.

Budget

22. In 2015, OAI had an overall approved budget of $18.4 million. This budget was initially funded at $13.1 million (71 per cent) from core resources and $5.3 million (29 per cent) from other resources. OAI eventually received $17.5 million (see figure 3). The difference of $900,000 was due to $800,000 held back by UNDP management for unforeseen costs and risks and to $100,000 corresponding to the frozen post.

23. The $17.5 million budget was $300,000 lower than the $17.8 million received in 2014. In addition to the $17.5 million, $1 million in direct costs for the audit of DIM projects were charged to the respective budgets of each of the DIM projects that were audited. In addition, OAI also received a contribution of $150,000 from the Bureau for Policy and Programme Support for the investigations activities relating to the social and environmental compliance of UNDP.

Figure 3. OAI resources in 2015

	(Millions of United States dollars)
Audit	10.2
Investigations	5.5
Management and support	1.7
Audit Advisory Committee	0.1
Total	**17.5**

Impact of budget constraints on audit mandate (decision 2015/13)

24. As a result of budgetary and resource constraints, OAI deferred certain audit activities to 2016, but the deferment did not significantly impact the ability of OAI to achieve the desired internal audit coverage and provide audit assurance in 2015. Overall, there were no challenges during the year that impacted the office's ability to discharge its oversight responsibilities.

IV. Significant internal audit results

A. Headquarters audits

25. The eight headquarters audits pertained to two headquarters business units, four corporate functions, one programme and one project. The audit of the Legal Office was rated 'partially satisfactory' and recommended improvements in the operation of the office regarding the management of disciplinary cases as well as improvements in the organizational structure and capacity. The audit of cost-recovery practices was rated 'partially satisfactory' and recommended the full implementation of the new direct project cost methodology, as well as better documentation of the basis for the distribution of General Management Support among units. The information and communications technology audit of electronic funds transfer by the UNDP Treasury Division was rated 'satisfactory' and resulted in recommendations to establish a regular review and update of procedures governing the electronic payment process, to review the contract held with the bank, and to finalize the standard operating procedure regarding the headquarters bank reconciliation process.

26. Of the eight audits, five were conducted using a performance audit approach, focusing on the efficiency and effectiveness of systems and procedures.

Performance audits

27. The audit of monitoring practices raised recommendations aimed at improving weaknesses in the design of the process, enhancing capacity and developing additional tools. The audit of travel management recommended continuing efforts for a cost-effective management of travel and more efficient pre- and post-travel management in UNDP. The audit of procurement management recommended the promotion of efficiency and cost savings through improvements of information technology tools used across the organization, as well as improving the way UNDP identifies and selects suitable vendors and the tracking of procurement risks as a whole. The audit of a regional programme for Africa recommended the systematic implementation of the most important components in the project portfolio and improving the monitoring of the programme and its projects. Finally, the audit of a project in the Africa region recommended revising and complementing the programme document in order to reflect changes made to the initial plan.

28. Altogether, the eight headquarters audit reports resulted in 43 recommendations, of which 12 (28 per cent) were ranked as high priority.

B. Country office audits

29. The 38 country office audit reports issued in 2015 included 37 audits of general scope and 1 audit of a specific office function (safety and security management). The significant issues are grouped according to the audit area/sub-area in figure 4; those noted in at least five offices are considered recurring.

Figure 4. Recurrent country office audit issues
(Presented according to the sub-area with the most number of recommendations, see figure 5)

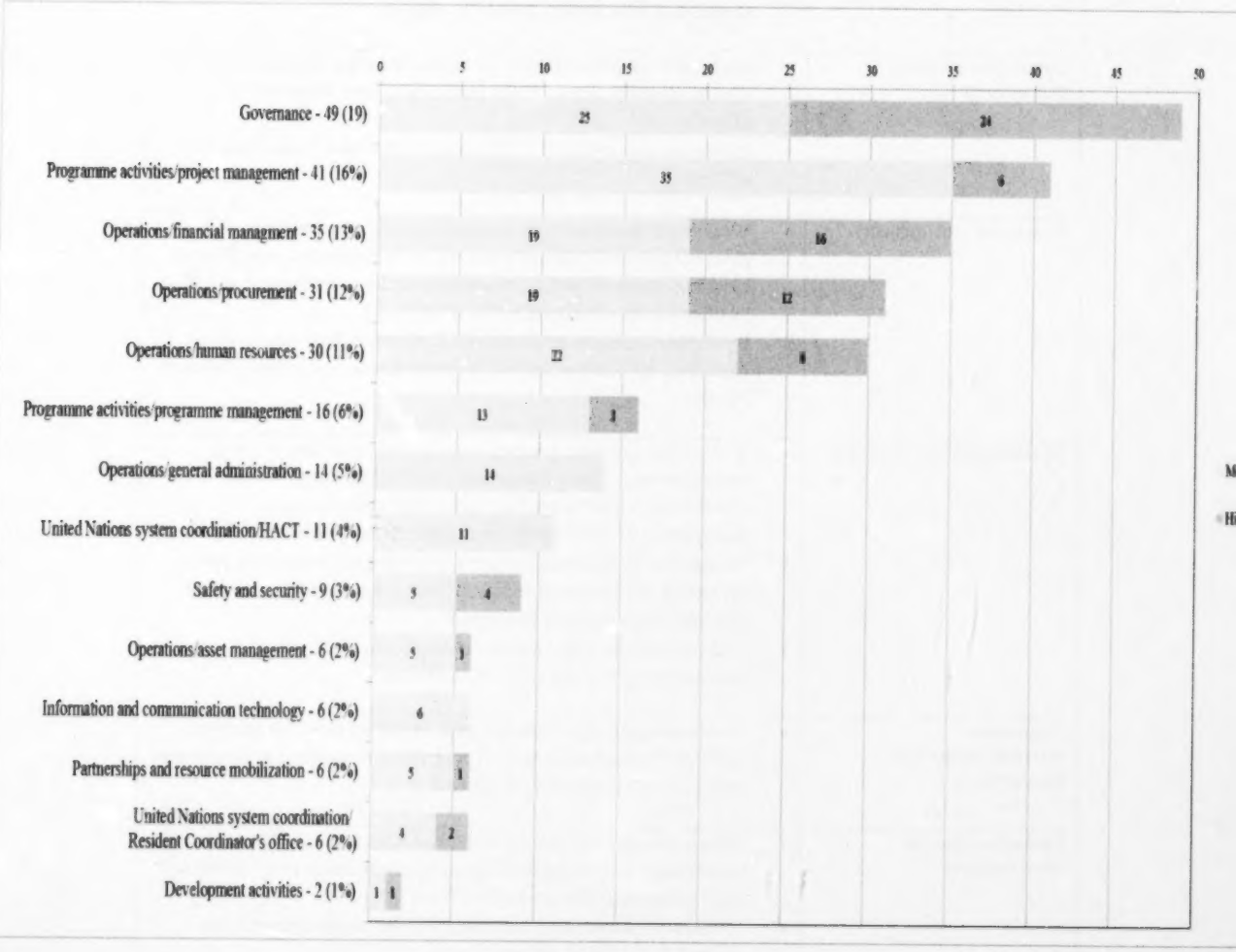
Audit area/sub-area	Recurrent audit issues
Governance and strategic management	• Financial sustainability of the office at risk (10 offices) • Inadequate organizational structure, including missing terms of reference, unclear roles and responsibilities, and inconsistent Atlas profile roles (6 offices) • Inadequate risk management and monitoring (5 offices)
Programme activities/project management	• Inadequate project implementation, including weak monitoring and evaluation, project assurance activities not performed, delayed project closure and weak project design (21 offices)
Operations/financial management	• Inadequate controls over cash advances, including delayed liquidation of cash advances, and incorrect recording of cash advances* (9 offices) • Inadequate management of funds transfer and bank reconciliation (5 offices)
Operations/procurement	• Weaknesses in procurement management, including procurement plans not prepared,* lack of procurement staff capacity, procurement cases not submitted to the procurement review committees,* and weak justification for direct contracting (16 offices) • Inadequate management of individual contracts, including terms of payments, deliverables and milestones that were not properly defined* (8 offices)
Operations/human resources	• Weaknesses in human resource management, including missing human resources plans (recruitment and staff learning),* non-completion of mandatory trainings of staff and inadequate management of staff benefits and entitlements (6 offices) • Weaknesses in recruitment process, including not conducting proper evaluation of candidates' technical qualifications and not maintaining adequate documentation (6 offices) • Non-completion of performance management development assessment and mandatory training courses* (5 offices)
Programme activities/programme management	• Inadequate programme management, including lack of programme oversight, weak management of programme resources and programme evaluation not conducted (10 offices)
Operations/general administration	• Weaknesses in travel management, including non-compliance with the travel policy and procedures relating to procurement of air tickets and daily subsistence allowances (8 offices) • Weak security measures, including business continuity plans not updated and tested (6 offices)

Audit area/sub-area	Recurrent audit issues
	• Inadequate asset management, including not properly documenting and safeguarding assets and not conducting regular physical verification of assets (6 offices)
United Nations system coordination/harmonized approach to cash transfer (HACT)	• Inadequate implementation of HACT, including macro- and micro-assessments not conducted and assurance plan not prepared (10 offices)

* Issues reported in 2014 as also recurrent.

30. Altogether, these audits resulted in 262 recommendations, 78 (30 per cent) of which were rated high priority (see figure 5).

Figure 5. Distribution and prioritization of country office audit recommendations in 2015 reports
(Total recommendations: 262)



C. Global Fund audits

31. In 2015, a total of 16 reports were issued pertaining to audits of Global Fund grants, 14 relating to grants managed by UNDP as principal recipient and 2 separate consolidated reports on various audits of UNDP country offices as principal recipients as well as audits of subrecipients of Global Fund grants managed by UNDP country offices. The 14 audit reports covered the management of Global Fund grants in 14 country offices (three in Africa, five in the Arab States, three in Europe and the Commonwealth of Independent States, two in Latin America and the Caribbean and one in the Asia and the Pacific region).

32. The 14 audit reports related to grants managed by UNDP as principal recipient contained 53 recommendations (see figure 6), the majority (66 per cent) of which were in the areas of: (a) procurement and supply chain management; (b) subrecipient management/monitoring; and (c) governance/capacity-building and exit strategy. The significant issues are grouped according to the audit area in figure 7; those noted in at least three offices are considered recurring.

Figure 6. Distribution and prioritization of Global Fund audit recommendations in 2015 reports
(Total recommendations: 53)

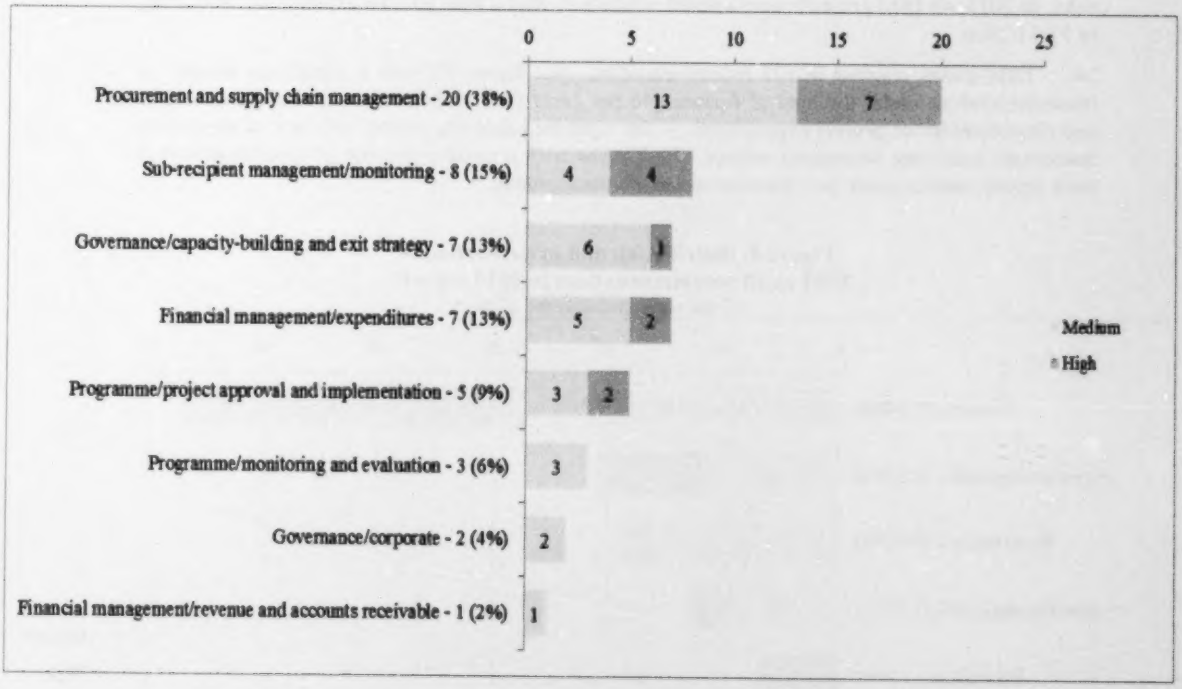


Figure 7. Recurrent global fund audit issues

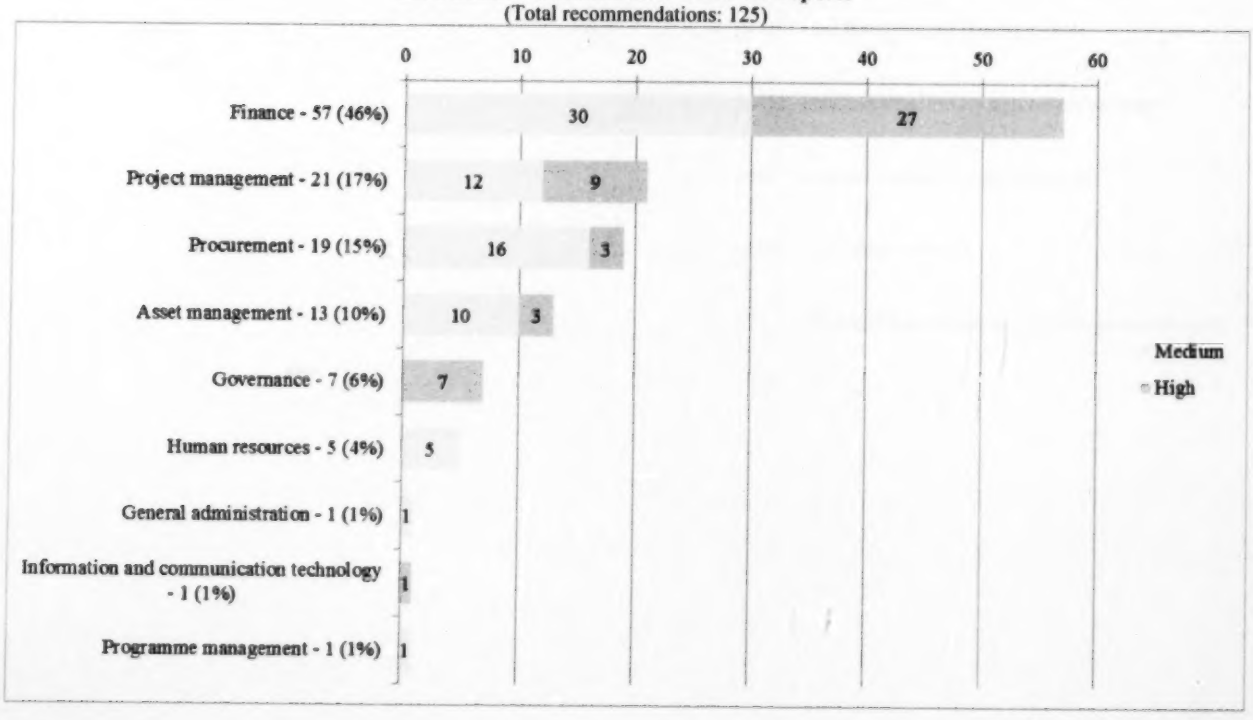
Audit area/sub-area	Recurrent audit issues
Procurement and supply management	• Weaknesses in asset management (4 offices) • Weaknesses in inventory management, distribution and storage (4 offices) • Inadequate quality control over pharmaceutical products (3 offices)
Subrecipient management/monitoring	• Inadequate monitoring of subrecipients (5 offices)
Governance/capacity-building and exit strategy	• Weak capacity-building of implementing partners (3 offices)

D. Project audits

33. Projects directly implemented by UNDP may be reviewed as part of the audit of an office or may be audited separately, especially if the project expenditure is significant and/or presents high risks. In 2015, 49 DIM projects were audited separately, with a total audited expenditure amounting to $1.4 billion.

34. DIM audits resulted in 125 recommendations (see figure 8), with a significant number of recommendations under the area of finance (46 per cent) such as inaccurate recording, allocation and classifications of project expenditures in the combined delivery report, and lack of supporting documents justifying accounting entries. Other areas with a notable number of recommendations were project management, procurement and asset management.

Figure 8. Distribution and prioritization of DIM audit recommendations in 2015 reports
(Total recommendations: 125)



E. Inter-agency audits

35. In 2015, OAI issued four inter-agency reports as a result of joint or coordinated audit work among the internal audit services of several United Nations organizations (the Food and Agriculture Organization of the United Nations, the United Nations Educational, Scientific and Cultural Organization, the United Nations Children's Fund and the United Nations Industrial Development Organization, as well as UNFPA.

36. The audit of the United Nations Collaborative Programme on Reducing Emissions from Deforestation and Forest Degradation in Developing Countries (UN-REDD) concluded that UNDP should further develop a results-based reporting framework reflecting key priorities for UN-REDD and UNDP, and develop plans to sustain knowledge and capacities when national programmes in Phase I end and assess benefits, costs and risks for UNDP in continuing to use UNOPS as an executive partner. Other recommendations included enhancements to procurement, programme and project management areas.

37. The audit of Delivering as One in Malawi identified the need for improving the role of UNDP as coordinator of the United Nations system in the country. Recommendations raised included enhancements in the management and accountability framework, a robust quality review of the United Nations Development Assistance Framework (UNDAF) and joint annual workplans and improvements in the design of the UNDAF and in the terms of reference of the Malawi One UN Fund. Further, the audit recommended improving the monitoring and evaluation plan, the reporting of results and the business operating strategy and its implementation mechanism.

38. The audit of the managing agent function for the South Sudan Common Humanitarian Fund resulted in recommendations aiming to address lack of processes, metrics and documentation for timeliness of the various disbursements performed by the UNDP country office, as well as overall funds management. The audit of the administrative agent function for South Sudan Common Humanitarian Fund did not result in any recommendations.

Lessons learned from inter-agency audits (decision 2011/22)

39. Since 2009, based on audit frameworks agreed with members of the United Nations Representatives of Internal Audit Services (UN-RIAS), OAI has participated in inter-agency audits and has issued a total of 17 inter-agency audit reports covering selected multi-partner trust funds, Delivering as One and the HACT. The experience showed that inter-agency audits require more time to plan, conduct and report than others, owing to the necessity to obtain consultations and inputs from the internal audit services and management of participating organizations.

40. At the annual meeting of UN-RIAS in September 2015, OAI volunteered to perform meta-analysis of the Delivering as One audits. OAI also volunteered to lead a UN-RIAS working group study to pursue different methods of joint audit cost recovery, with a view to increasing audit coverage over joint governance and programmatic activities of the United Nations Development Group field programmes.

V. Follow-up to audit recommendations

41. The overall implementation rate of audit recommendations was 85 per cent at 31 December 2015, which was higher than the rate achieved in 2014 (81 per cent). This covered all reports issued by OAI from 1 January 2013 to 30 November 2015. There were 50 recommendations that had not been fully implemented for more than 18 months (see annex 3 for complete listing).This is an increase from 2014, when 20 recommendations were outstanding for more than 18 months. Recommendations from inter-agency audits were not included in the count of long-outstanding recommendations as the monitoring of the implementation of recommendations involved other United Nations agencies and these normally require a longer implementation time.

42. Of the 50 recommendations, 22 (44 per cent) were ranked 'high priority' and 22 were outstanding for at least 24 months. Ten of these recommendations pertained to the Office of Human Resources and seven pertained to the UNDP country office in Central African Republic.

43. It is also worth mentioning that for recommendations raised in audit reports issued in 2015, the implementation rate as of 31 December 2015 was 52 per cent, indicating that immediate actions were taken by management on the audit issues raised by OAI.

VI. Review of audits of projects executed by non-governmental organizations and/or national governments

44. The 2015 NGO/NIM audit plan consisted of 957 NGO/NIM projects that were selected based on an OAI audit risk assessment. These selected projects had a total expenditure of $1.92 billion, representing 77 per cent of the $2.5 billion of NGO/NIM project expenses for fiscal year 2014. The audits were conducted by supreme audit institutions or audit firms engaged and managed by UNDP country offices. The audit reports were due for submission on 30 April 2015.

45. As of 31 December 2015, OAI had received 951 audit reports or 99.4 per cent of the 957 reports expected from 835 NGO/NIM projects from 109 country offices.

46. Timely submission of reports for two country offices (Argentina and Yemen) remained an issue despite follow-up by OAI. As of 31 December 2015, reports for six projects had not been submitted, representing total expenses of $10.4 million from Argentina (two projects, $6 million) and Yemen (four projects, $4.4 million). In the case of the Argentina country office, while noting a significant improvement, several audit reports remained outstanding at the end of 2015. In the case of the Yemen country office, the audit process was postponed due to the security crisis in the country.

OAI review results

47. Of the 951 reports received, OAI has reviewed 442 in depth, representing $1.56 billion in expenses or 81 per cent of the audited expenses. In the majority of cases, the NGO/NIM auditors found that financial expenses were presented fairly and issued an 'unqualified' opinion in respect of $1.84 billion (96 per cent) of the total $1.92 billion of audited expenses.

48. Most country offices (82 per cent) received an overall 'satisfactory' rating from OAI for fiscal year 2014, compared to 75 per cent for fiscal year 2013; 14 per cent received 'partially satisfactory' ratings, compared to 17 per cent in 2013; and 4 per cent received 'unsatisfactory' ratings in 2014, a reduction from the 8 per cent reported for 2013 (see figure 9). The overall rating encompassed four elements: (a) strength of existing internal controls; (b) timely follow-up of audit recommendations; (c) compliance with audit scope requirements; and (d) timely administration of audit exercise. OAI issued review letters drawing the attention of the country offices to areas requiring improvement.

Figure 9. Results of OAI assessment of the quality of NGO/NIM audit reports

	Overall rating			
	Fiscal year 2014 (Audits conducted in 2015)		Fiscal year 2013 (Audits conducted in 2014)	
Rating	Number of countries	%	Number of countries	%
Satisfactory	89	82	87	75
Partially satisfactory	15	14	20	17
Unsatisfactory	4	4	9	8
Total number of country offices	108	100	116	100

Key NGO/NIM audit issues and actions taken thereon

49. The NGO/NIM audit reports that were reviewed in detail contained 1,036 issues, with the majority (71 per cent) ranked 'medium priority'. Most of the issues (49 per cent) pertained to financial management compared to 46 per cent for fiscal year 2013. The other areas relate to project progress and rate of delivery, procurement, human resources, management and use of equipment, record keeping systems and controls, and management structure.

50. OAI monitored the actions taken by the country offices to address the NGO/NIM audit issues and noted that as of 31 December 2015, 80 per cent of the 1,036 audit issues had been adequately addressed.

Audit opinions and net financial impact

51. For the reports with modified opinions, OAI calculated the total net financial impact for fiscal year 2014 to be a net overstatement of $6.1 million, i.e., 0.3 per cent over the total audited expenditure ($1.92 billion). This is lower than in 2013 ($92.2 million). The net financial impact was due to modified opinions on 73 projects in 28 countries. The qualifications were mainly due to unsupported expenses (27 projects), incorrect recording of advances/expenses (19 projects) and unrecorded expenses (12 projects).

Audit of harmonized approach to cash transfers

52. In 2014, seven country offices (Bhutan, Cape Verde, Democratic Republic of the Congo, Indonesia, Morocco, United Republic of Tanzania and Viet Nam) which follow the HACT procedures planned the required audits of implementing partners. As of 31 December 2015, OAI had received 61 audit reports from four of the seven country offices. Of the 61 reports, 51 received an 'unqualified' and 10 a 'modified' opinion on the financial statements.

VII. Investigations

53. During 2015, OAI opened 370 new cases, a significant (24 per cent) increase over the number of cases opened in 2014 (299). OAI also carried over 162 cases from 2014, bringing the total caseload in 2015 to 532, an 11 per cent increase over 2014 (478 cases).

54. Of the 532 cases, 328 were closed by OAI in 2015, a 4 per cent increase over 2014 (316 cases). At the end of 2015, 204 cases were carried over to 2016 (see figure 10).

Figure 10. OAI caseload, 2014 and 2015

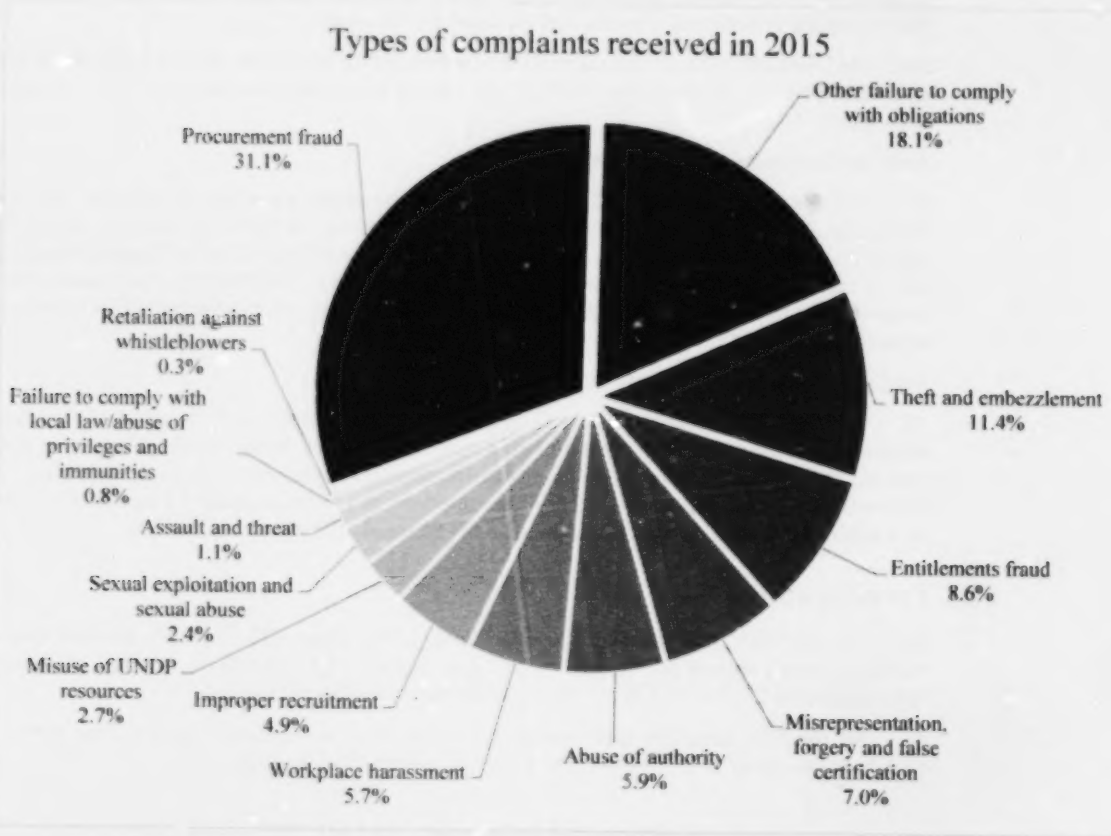
Carry-over as of 1 January	179	162
Intake during the year	299	370
Total cases during the year	**478**	**532**
Closed (from cases carried over)	149	114
Closed (from intake)	167	214
Total closed	**316**	**328**
Carried forward as of 31 December	162	204

Type of complaints

55. Complaints relating to financial irregularities (procurement fraud; theft and embezzlement; misuse of UNDP resources; misrepresentation, forgery and false certification; and entitlements fraud) continued to be the largest category of cases, constituting 61 per cent of the total number of

cases received by OAI in 2015, a 6 per cent increase compared to 2014 (55 per cent) (see figure 11).[2]

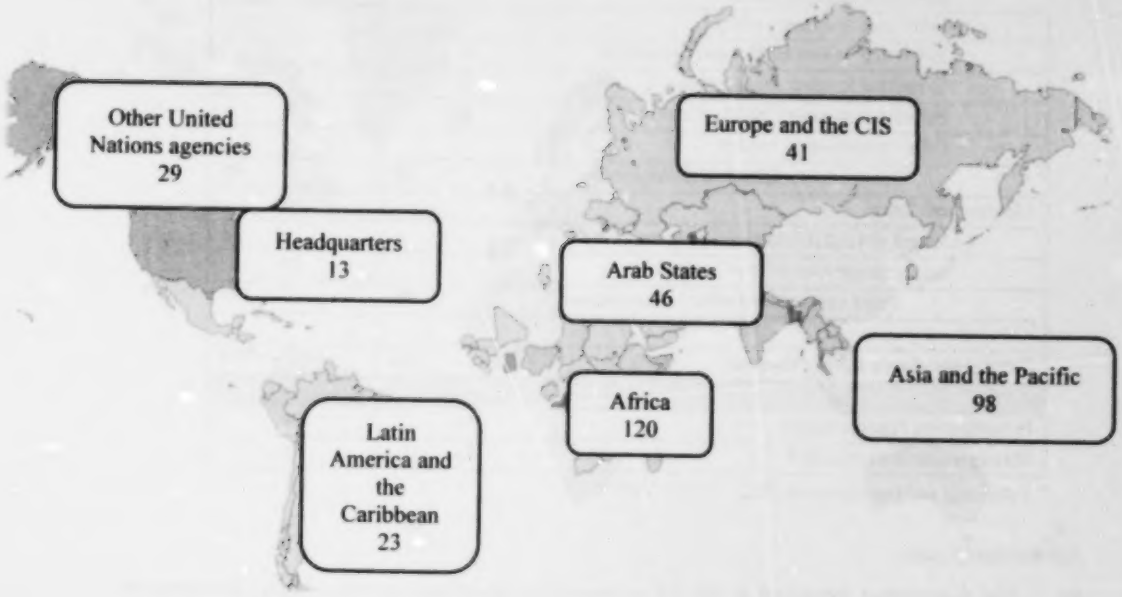
Figure 11. Types of complaints received in 2015


Types of complaints received in 2015
Other failure to comply with obligations 18.1%
Procurement fraud 31.1%
Retaliation against whistleblowers 0.3%
Failure to comply with local law/abuse of privileges and immunities 0.8%
Theft and embezzlement 11.4%
Assault and threat 1.1%
Sexual exploitation and sexual abuse 2.4%
Entitlements fraud 8.6%
Misuse of UNDP resources 2.7%
Improper recruitment 4.9%
Workplace harassment 5.7%
Abuse of authority 5.9%
Misrepresentation, forgery and false certification 7.0%

56. Africa is the region from which OAI received the most complaints in 2015 (120 cases), followed by the Asia and Pacific region (98 cases), Arab States (46 cases), Europe and the Commonwealth of Independent States (41 cases) and Latin America and the Caribbean (23 cases). OAI received 13 cases from headquarters and 29 cases involving staff members or other personnel on UNDP contracts assigned to other United Nations agencies (see figure 12).

[2] In 2015, OAI changed the category entitled 'misrepresentation' to 'misrepresentation, forgery and false certification', which is now included in complaints related to financial irregularities. This category was not included in the 55 per cent reported in 2014.

Figure 12. Cases received in 2015 by region


Other United Nations agencies 29
Europe and the CIS 41
Headquarters 13
Arab States 46
Asia and the Pacific 98
Africa 120
Latin America and the Caribbean 23

Processing of cases

57. Of 328 cases that were closed in 2015, 135 cases (41 per cent of the cases finalized) were closed after an initial assessment. Of these 135 cases, 118 were closed because of insufficient evidence of wrongdoing to justify an investigation, because the allegations did not fall within the OAI mandate or because an investigation was not warranted. Seventeen cases were referred to other offices for appropriate action (see figure 13).

58. The closing of the remaining 193 cases came as a result of a full investigation, of which 50 cases (26 per cent) resulted in an investigation report establishing evidence of misconduct or other wrongdoing, a decrease of 15 per cent over the total number of investigation reports issued in 2014 (59 investigation reports). The other 143 cases were found to be unsubstantiated and were closed after investigation (see figure 13).

59. At the end of 2015, five cases were still under assessment and 199 cases were under investigation.

Figure 13. Disposition of cases

Actions Taken	Number of cases in 2014	Number of cases in 2015
After assessment		
- Closed, investigation not warranted	209	118
- Referred to other offices within UNDP	22	17
Total	**231**	**135**

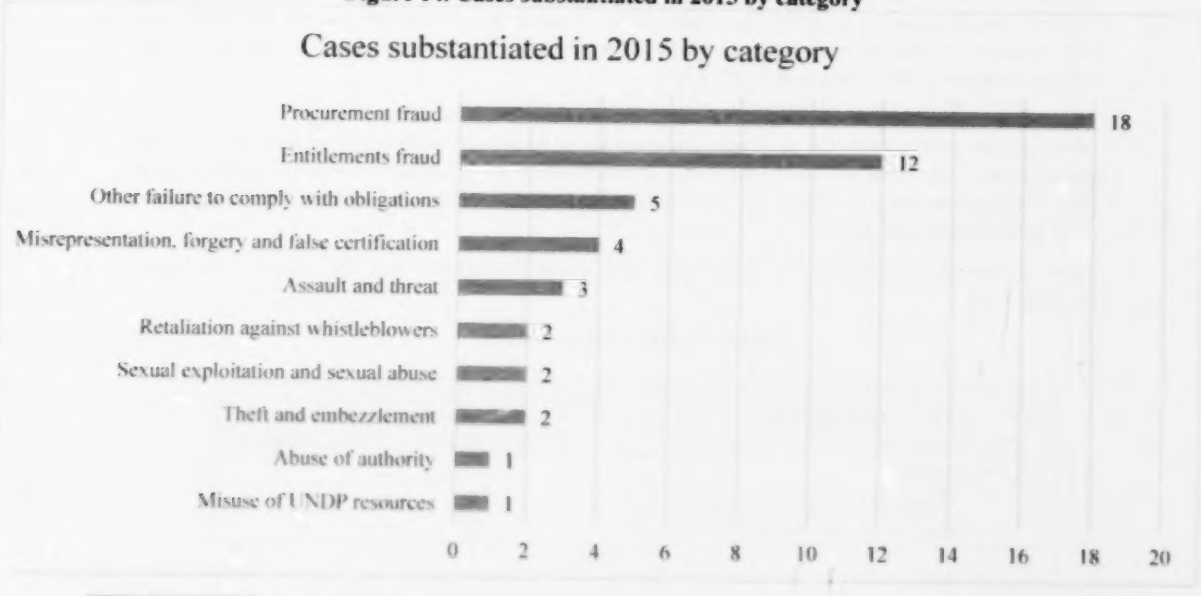
After investigation		
*Closed (not substantiated)**	**26**	**130**[3]
Closed *(substantiated)*		
- Submitted to Legal Office	26	13
- Submitted to country offices	6	16
- Submitted to Vendor Review Committee	22	15
- Submitted to other organizations	2	3
- Submitted to other UNDP offices	3	3
- Other investigation reports	-	-
Subtotal *(substantiated)*	**59**	**50**
Management letters		
- Issued as final product *(not substantiated)**		**13**
- Issued in addition to final product		18
Total cases closed after investigation	**85**	**193**
Total cases closed during the year	**316**	**328**
Investigation reports issued	**59**	**50**
Management letters issued	**16**	**31**

** Total not substantiated in 2015 = 143 (130+13)*

Substantiated cases

60. The misconduct identified in the 50 substantiated investigations was mostly: procurement fraud (18 cases or 36 per cent); entitlements fraud (12 cases or 24 per cent); other failure to comply with obligations (5 cases or 10 per cent); and misrepresentation, forgery and false certification (4 cases or 8 per cent) (see figure 14).

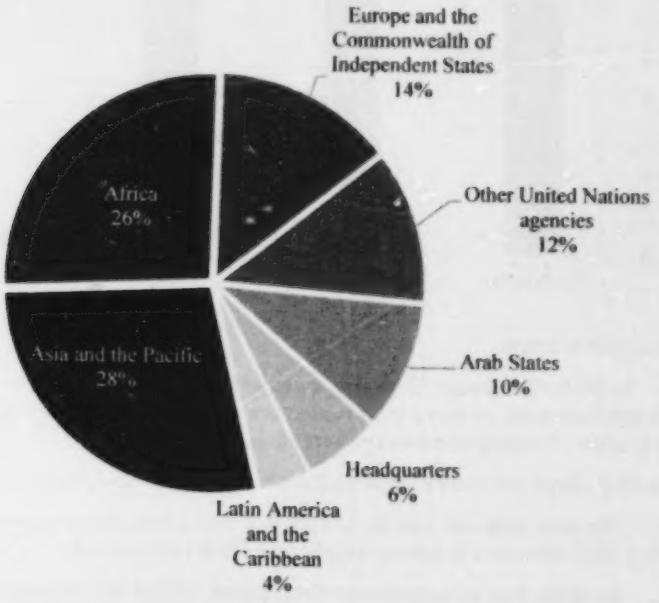
Figure 14. Cases substantiated in 2015 by category



[3] The increase in number of cases 'Closed (not substantiated)' is due to a revision in 2015 of the way OAI categorizes its disposition of cases.

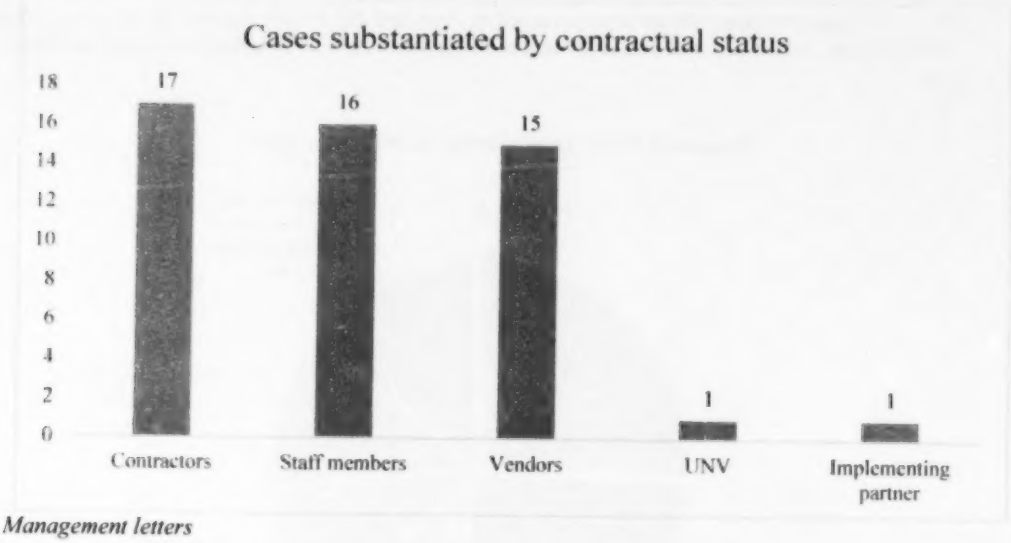
61. Of these 50 cases, 28 per cent occurred in Asia and the Pacific region, 26 per cent in the Africa region and 14 per cent in Europe and the Commonwealth of Independent States (see figure 15).

Figure 15. Cases substantiated in 2015, by region


Europe and the Commonwealth of Independent States 14%
Other United Nations agencies 12%
Arab States 10%
Headquarters 6%
Latin America and the Caribbean 4%
Asia and the Pacific 28%
Africa 26%

62. The 50 substantiated cases involved 17 contractors (service contract holders and individual contractors), 16 staff members, 15 vendors, 1 United Nations Volunteer and 1 implementing partner (see figure 16).

Figure 16. Cases substantiated by contractual status



Management letters

63. In 2015, OAI issued 31 management letters to relevant business units to address weaknesses in internal controls, as noted by investigators. This represents a 93.8 per cent increase compared to 2014, when 16 management letters were issued.

Financial losses and recovery thereof (decisions 2014/21 and 2015/13)

64. The total financial loss for UNDP that was substantiated in investigation reports from OAI during 2015 amounted to approximately $1 million (see annex 4).

65. As of the date of preparation of this report, UNDP has recovered approximately $14,300 (or 1.4 per cent) of the total loss identified in investigation reports during 2015.

66. As of 31 December 2015, a total of approximately $10,800 had been recovered for the loss to UNDP of approximately $900,000 identified in investigation reports issued during 2014.[4] Out of the $900,000, the Legal Office indicated that the loss amount of $652,087 identified in one case was not a recoverable loss.

67. As of 31 December 2015, a total of approximately $15,000 had been recovered for the loss to UNDP of approximately $3.3 million identified in investigation reports issued during 2013.

68. In addition, an amount of approximately $2.8 million was recovered in previous years, in four cases reported in different years. These amounts were not, however, reported as losses during their respective reporting year as the investigations had not been finalized.

69. Also in 2015, OAI initiated a project to assess the UNDP rate of recovery of assets lost due to fraud and theft during recent years and to suggest methods to increase the rate of recovery in the future. The results of this project were presented to the UNDP Organizational Performance Group, which agreed to establish a task team chaired by the Bureau for Management Services, to work further on this issue.

[4] In 2014, the total financial loss that was substantiated in investigation reports from OAI amounted to approximately $6.1 million. However, $5.2 million of this amount was the result of four investigations involving funds that were provided to the Multi-Partner Trust Fund Office and transferred to and implemented by another United Nations organization, which issued contracts to vendors leading to fraud and theft. The investigative body for the other United Nations organization issued reports substantiating the loss, which were endorsed by OAI for the purpose of requesting sanctions against the vendors. The financial accounting and reporting for these funds rests with the other United Nations organization and not with UNDP. Thus, this amount has not been included in this paragraph.

Actions taken in cases of misconduct (decision 2011/22)

70. Follow-up actions taken by other offices (i.e., the Legal Office, the Advisory Panel on Disciplinary Measures, the Ethics Office, country offices, the Vendor Review Committee and regional bureaux) in the cases substantiated by OAI are detailed below.

71. Based on the 13 investigation reports sent to the Legal Office concerning staff members, two staff members were dismissed and two were separated from service with compensation in lieu of notice.[5] In the case of one staff member who had resigned prior to the completion of the investigation, a letter was placed in his file pursuant to Article 72 of the Legal Framework indicating that he would have been charged with misconduct had he remained employed with the organization. One staff member was exonerated.

72. Of the remaining reports sent to the Legal Office, seven were still under review at the end of 2015.

73. Of the three investigation reports submitted to another organization, one was submitted to the Advisory Panel on Disciplinary Measures concerning United Nations Volunteers and was still under review as of 31 December 2015. The two other reports were submitted to another organization for independent review and were also still under review at the end of 2015.

74. Two investigations reports were submitted to the Ethics Office. In one case, the Ethics Office made its independent determination that no retaliation existed and issued appropriate recommendations. In the other case, the Ethics Office made its independent determination that the complainant did suffer retaliation and issued appropriate recommendations.

75. Of the 16 reports that were submitted to country offices, four service contract holders had their contracts terminated and one had his/her contract not renewed. Two service contracts were not renewed due to reasons independent of the investigation. Three service contract holders had resigned prior to the finalization of the investigation.

76. The remaining six reports sent to country offices were still under review at the end of 2015.

Other investigation reports

77. In 2015, 12 investigation reports (involving 15 cases) were submitted to the Vendor Review Committee (the internal technical body tasked with making recommendations to the Chief Procurement Officer about requests for vendor sanctions). All 12 reports remained under review by the Committee at the end of 2015.

78. One investigation report was submitted to another UNDP bureau in 2015.

79. Four requests for a referral to national authorities were submitted by OAI to the Legal Office in 2015.

Social and environmental compliance

80. The year 2015 was transformational for the Social and Environmental Compliance Unit within the OAI Investigations Section. Following two years of design and construction, the unit became operational on 1 January 2015. During 2015 it continued to enhance its operational architecture, promoted awareness of internal and external stakeholders about the compliance review function, received and analysed a number of relevant complaints and inquiries and registered its first case (in India). It conducted an outreach mission to Kenya and participated in a leading role at the annual meeting of the International Accountability Mechanisms. Its transparency tool, known as the 'Registry', went live on its website and is performing to specifications. Its case management

[5] Pursuant to Staff Rule 10.2 (viii), one of the disciplinary measures that may be imposed on staff members is separation from service, which can be with notice or compensation in lieu of notice. In lieu of the notice, compensation equivalent to salary, applicable post adjustment and allowances corresponding to the relevant notice period as per the contract, at the rate in effect on the last day of service, may be paid.

system is nearing completion. It continued its collaboration with the Stakeholder Response Mechanism (within the Bureau for Policy and Programme Support) on a number of issues including complaints intake, joint newsletters, shared webpages and the implementation of the case management system. It continued to create a number of awareness-raising materials, including its own newsletter, website and multimedia outreach products.

VIII. Coordination within the United Nations system

81. As the chair of the UN-RIAS, the OAI Director continued to lead UN-RIAS activities which included bimonthly 'virtual meetings'; the Bilateral Donors' Oversight Network; engagement supervisions on inter-agency joint audits; and various normative activities on development and harmonization of audit tools and methodology.

82. In September 2015, OAI formed an inter-agency working group for hosting the 2016 UN-RIAS annual meeting to be held in September 2016. OAI led the continued engagement of UN-RIAS in discussions with the European Union on the Pillar Assessed Grant or Delegation Agreement (PAGODA) and the establishment of UN-RIAS working groups on joint audit cost recovery and organization-wide audit opinion. OAI participated in the UN-RIAS working group session on engagement-level audit opinion and actively participated and supported discussions at the UN-RIAS 'virtual meetings' throughout 2015.

83. OAI continued to interact with Member States and counterparts to identify and share best practices, discuss matters of common interest and promote cooperation with audit and investigation services in the United Nations system and with other multilateral organizations. The Deputy Director, Head of Investigations, OAI, was appointed in September 2015 as Vice-Chair for the United Nations Representatives of Investigative Services.

IX. Advisory and other audit services

Advisory services

84. OAI continued to provide advice to all levels of management at headquarters, regional centres and country offices. The advice covered a wide range of subjects, such as NGO/NIM and DIM audit processes and reporting, assessment for the HACT, human resources processes and information and communication technology policies. The office also regularly reviewed audit clauses in contribution agreements with donors, when requested.

85. OAI also provided resource support to the UNDP Guinea country office for the Ebola initiative for a period of six months.

Audit and investigation services for the United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women)

86. Based on a service agreement dated 7 December 2013 with the Executive Director of UN-Women, OAI continued to provide internal audit and investigation services in 2015. This agreement expired on 6 December 2015 and was renewed for another two years. OAI has a dedicated UN-Women Audit Unit, with four posts fully funded by UN-Women. The internal audit and investigation activities of OAI in this regard are reported separately to the Executive Board of UN-Women.

X. Opinion

87. UNDP management is responsible for maintaining the adequacy and effectiveness of UNDP governance, risk management and control. In accordance with the UNDP oversight policy as part of the UNDP accountability framework (DP/2008/16/Rev.1), the United Nations Board of Auditors provides independent external oversight through, among others, audits of the UNDP financial statements and related financial procedures, accounting system, internal financial controls and administration and management of UNDP in general. OAI provides independent internal oversight

through internal audits on the adequacy and effectiveness of the UNDP governance, risk management and control framework. The primary objective of the work performed by the United Nations Board of Auditors is to express an opinion on UNDP financial statements and is different from the objective of the work carried out by OAI.

88. Decision 2015/13 requires OAI to provide an opinion, based on the scope of work undertaken, on the adequacy and effectiveness of the organization's framework of governance, risk management and control framework. The OAI opinion is based on the audit reports issued between 1 January and 31 December 2015, the majority of which covered UNDP activities in 2014. A concise summary of the audit work that supports the opinion is included in chapter IV of the present report and the supporting criteria are described in annex 5. The OAI risk assessment methodology, which increases the frequency of audits of high risk entities, is described in chapter I.

89. It is the opinion of OAI that, based on the scope of work undertaken, the adequacy and effectiveness of the UNDP framework of governance, risk management and control covered in the audit reports issued in 2015 were, in aggregate, partially satisfactory, which means that they were generally established and functioning but needed improvement. The implementation ratio of audit recommendations as per 31 December 2015 of 85 per cent is acceptable when compared to the target set in the UNDP Integrated Results and Resources Framework. This implementation rate gives comfort that, in general, appropriate and timely action is taken, as and when improvements in the governance, risk and control are necessary.